

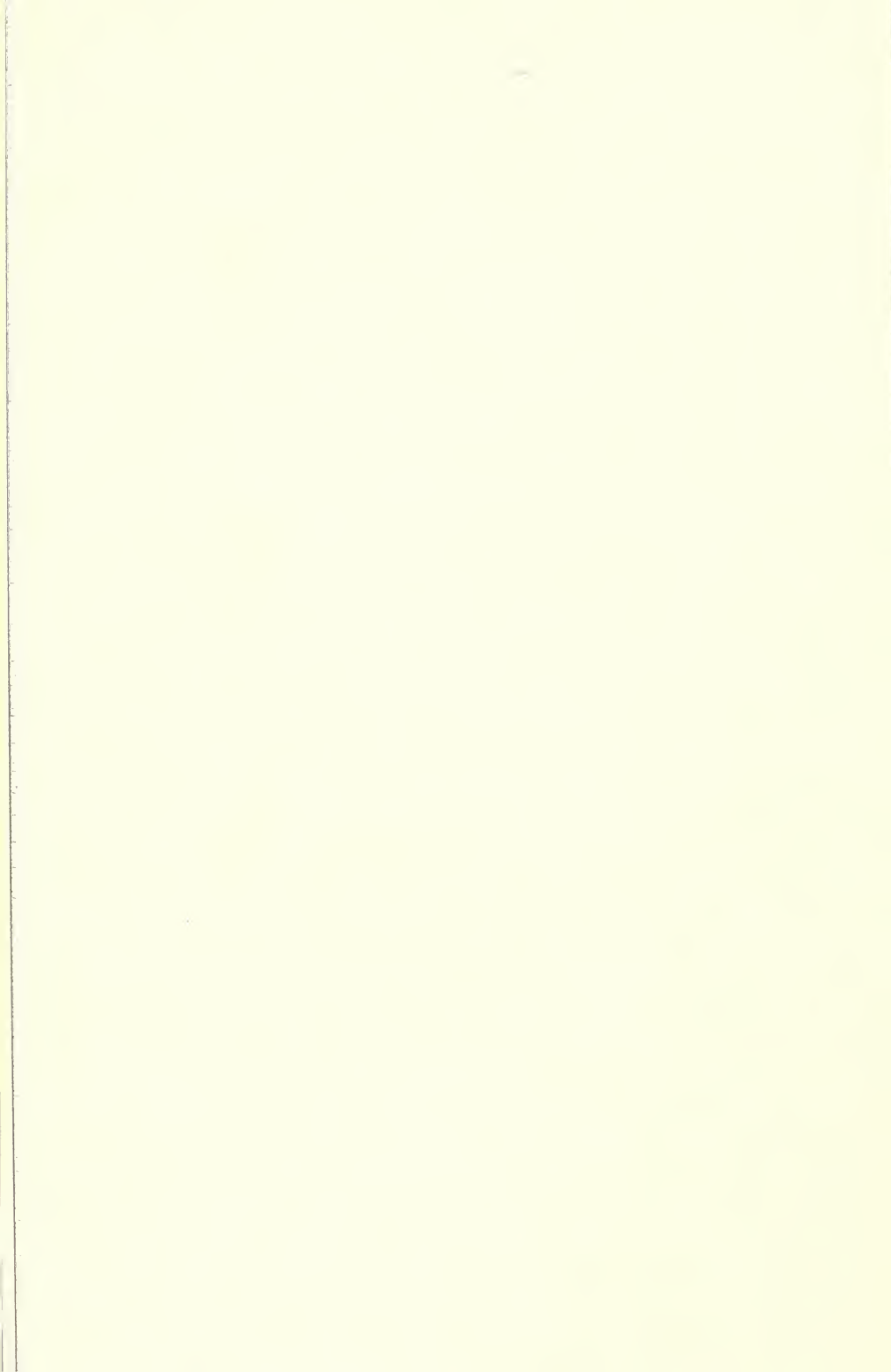




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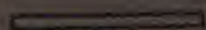
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CALIFORNIA BANK ACT



AS AMENDED 1913

THIS EDITION ISSUED BY
CALIFORNIA BANKERS ASSOCIATION

California . . . laws, statutes, etc.

BANK ACT

OF THE

STATE OF CALIFORNIA

(WITH COMPLETE INDEX)

STATUTES OF 1909

Chapter 76, Approved March 1. In Effect July 1

AMENDED BY STATUTES OF 1911

Chapter 11, Approved Feb. 6. In Effect Feb. 6.

Chapter 488, Approved Apr. 21. In Effect June 20.

Chapter 404, Approved Apr. 21. In Effect June 20.

Chapter 405, Approved Apr. 21. In Effect June 20.

AMENDED BY STATUTES OF 1911 (Special Session)

Chapter 2, Approved Dec. 18. In Effect Feb. 16.

Chapter 24, Approved Dec. 24. In Effect Feb. 22.

AMENDED BY STATUTES OF 1913

Chapter 104, Approved May 9. In Effect Aug. 10.

Chapter 192, Approved June 3. In Effect Aug. 10.

Revised Edition Issued By

CALIFORNIA BANKERS ASSOCIATION
JUNE, 1913

MEMBERS OF THE CALIFORNIA
BANKERS ASSOCIATION MAY SE-
CURE ADDITIONAL COPIES OF
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FREDERICK H. COLBURN, SEC-
RETARY, 1064 MILLS BUILDING,
SAN FRANCISCO, CALIFORNIA

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1913

BANK ACT OF CALIFORNIA.

ARTICLE I.

GENERAL PROVISIONS.

SECTION 1. This act shall be known as the "bank act," and shall be applicable to all corporations specified in the next section. Name of Act

SEC. 2. The word "bank" as used in this act shall be construed to mean any incorporated banking institution which shall have been incorporated to conduct the business of receiving money on deposit, or transacting a trust business as herein-defined. The soliciting, receiving or accepting of money or its equivalent on deposit as a regular business shall be deemed to be doing a commercial or savings bank business whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass book, a note, a receipt or other writing; *provided*, that nothing herein shall apply to or include money or its equivalent left in escrow or left with an agent, pending investment in real estate or securities for or on account of his principal. It shall be unlawful for any corporation, partnership, firm or individual to engage in or transact a banking business within this state except by means of a corporation duly organized for such purpose. Banks are divided into the following classes: Definition of Bank

What acts deemed banking business

Transacting banking business otherwise than by means of a banking corporation—unlawful

Classification of banks.

- (a) Savings banks;
- (b) Commercial banks; and
- (c) Trust companies.

SEC. 3. Corporations may be formed by any number of natural persons, not less in any case than three, under the laws of this state to conduct, as provided in this act, and not Method of forming banking corporation

otherwise, any one or more or all of the businesses mentioned in divisions (a), (b), and (c) of section two, of this act.

"Savings bank"
defined

SEC. 4. The term "savings bank," when used in this act, means a bank organized for the purpose of accumulating and loaning the funds of its members, stockholders, and depositors, and which may loan and invest the funds thereof, receive deposits of money; loan, invest and collect the same with interest; and may repay depositors with or without interest, and having power to invest said funds in such property, securities and obligations as may be prescribed by this act; and to declare and pay dividends on its general deposits, and a stipulated rate of interest on deposits made for a stated period or upon special terms.

"Commercial bank"
defined

SEC. 5. The term "commercial bank," when used in this act, means any bank authorized by law to receive deposits of money, deal in commercial paper or to make loans thereon, and to lend money on real or personal property, and to discount bills, notes, or other commercial paper, and to buy and sell securities, gold and silver bullion, or foreign coins or bills of exchange.

"Trust Company"
defined

SEC. 6. The term "trust company," when used in this act, means any corporation which is incorporated under the laws of this state for the purpose of conducting the business of acting as executor, administrator, guardian of estates, assignee, receiver, depository or trustee under appointment of any court or by authority of any law of this state, or as trustee for any purpose permitted by law.

Foreign
corporations
—prerequisites to
transacting banking
business in this state

SEC. 7. No foreign corporation shall transact a banking business in this state without first complying with all the requirements of the laws of this state relative to banks as defined in this act, and without having assigned to its business in this state the amount of paid-up capital and surplus required by this act for the transaction of such business within this state. No foreign banking corporation shall transact business in this state until such corporation has made the assignment of capital required by this section and has received a certificate from the superintendent of banks. Any foreign banking corporation trans-

acting business in this state shall become subject to the supervision of the state superintendent of banks. Every foreign banking corporation, including those which were on January second, nineteen hundred thirteen, transacting business in this state, which receives any deposits or transacts any other banking business or transacts its business in such a manner as might lead the public to believe that its business is that of a bank shall conduct all its business in accordance with the statutes governing incorporated banking institutions organized under the laws of this state. The capital of any such foreign banking corporation assigned to its business in this state and all funds and deposits of money received by any such corporation in this state or for or in connection with its business in this state and all accounts and transactions of said business transacted by any such foreign corporation in this state shall be kept separate and apart from the general business, assets and accounts of such foreign corporation in the same manner as if the business of such foreign corporation conducted within this state was that of a separate and independent corporation organized under the laws of this state for the purpose of doing a banking business and all of the provisions of this act affecting investments, loans of money, receiving deposits and conducting business in any respect shall be deemed to apply to such assigned capital, investments, loans, deposits, assets, funds and business in the same manner as if such assigned capital, investments, loans, deposits, assets, funds and business were that of such separate and independent corporation; *provided*, that loans may be made by any such foreign corporation based on its entire paid-up capital and surplus in case such foreign corporation shall have assigned to its business in this state a paid-up capital and surplus as above provided equal to 20 per centum of the deposit liability of such branch agency or office to residents of this state. Such funds and investments or loans thereof shall be appropriated solely to the security and payment of such deposits, and shall not be mingled with the investments of the capital stock or other money or property belonging to such corporation or be liable for the debts or obligations thereof. All income re-

**Foreign corporations
—continued**

Such corporation doing domestic business subject to supervision of Superintendent.

Capital assigned to its business in this state, etc., to be kept separate

Accounts of business transacted in this state to be kept separate from general accounts

Loans made by foreign corporation—their basis and security

Foreign corporations
—continued

Application of
income from
investment funds

Further prerequisite
to doing business—
filing appointment
of Supt. as attorney
for service of
process, etc.

Foreign corporation
not to have any trust
company powers
specified in Sec. 6,
except that foreign
trust companies may
act as executor or
trustee under will,
provided (1) similar
privilege given
California companies
in foreign states

ceived from the investment of said funds over and above such funds as may be paid to depositor's as interest or shall be carried to the surplus fund, as provided in section twenty-one of this act, shall accrue as profits to the corporation and may be transferred to its general funds. No such foreign corporation shall transact any banking business in this state until it has executed and filed with the superintendent of banks a written instrument appointing such superintendent or his successor in office, its true and lawful attorney, upon whom all process issued by authority of or under any law of this state may be served, with the same effect as if such corporation was formed under the laws of this state and had been lawfully served with process therein. Such service upon such attorney shall be deemed personal service on such corporation. The superintendent of banks shall forthwith forward by mail, postage prepaid, a copy of every process served upon him under the provisions of this section, addressed to the manager or agent of such corporation, at its principal place of business in this state. For each copy of process, the superintendent of banks shall collect the sum of two dollars, which shall be paid by the plaintiff or moving party at the time of the service, to be recovered by him as a part of his taxable costs if he succeed in the suit or proceeding. No foreign corporation shall have or exercise in this state the power to receive deposits of trust moneys, securities or other personal property from any person or corporation or any of the powers specified in section six of this act, nor have or maintain an office in this state for the transaction of, or transact, directly or indirectly, any such or similar business, except that a trust company incorporated in another state may be appointed and may accept appointment and may act in this state as executor of or trustee under the last will and testament of any deceased person, upon giving the bond required in such cases of individuals unless waived by the last will and testament making such appointment and by taking and subscribing an oath for faithful performance of such trust by the president, vice-president, secretary, manager or trust officer of said corporation; *provided*, that similar corporations organized under the laws of

this state are permitted by law to act as such executor or trustee in the state where such foreign corporation was organized; *and, provided, further*, that such superintendent of banks, for the time being, shall be the attorney of such foreign corporation qualifying or acting in this state as such executor or trustee, upon whom process against such foreign corporation may be served in any action or legal proceeding against such executor or trustee affecting or relating to the estate or property represented or held by such executor or trustee, or any act or default of such foreign corporation in reference to such estate or property, and it shall be the duty of any such foreign corporation so qualifying or acting to file in the office of said superintendent of banks a copy of its articles of incorporation, or of the statute chartering such corporation, certified by its secretary under its corporate seal, together with the post office address of its home office, and a duly executed appointment of said superintendent of banks as its attorney to accept service of process as above provided, and said superintendent of banks, when any such process is served upon him, shall at once mail the papers so served to the home office of such corporation; *and provided, further*, that no foreign corporation having authority to act as executor of or trustee under the last will and testament of any deceased person shall establish or maintain, directly or indirectly, any branch office or agency in this state, or shall in any way solicit, directly or indirectly, any business as executor or trustee therein, and that for any violation of this proviso, the court having jurisdiction of such executor or trustee in said proceeding may in its discretion, revoke the right of such foreign corporation thereafter to act as executor or trustee therein; *provided*, that nothing in this act shall limit or affect the right of any foreign corporation doing a banking business in this state, to lend within this state, moneys of such corporation which do not form a part of the moneys, deposits or assets of such corporation assigned or belonging to its business in this state.

Foreign corporations —continued

acting as executor or trustee, etc., in this state—continued

(2) such foreign corporation file with Supt. certified copy of articles, etc.

(3) No foreign corporation having authority to act as executor or trustee under will shall maintain any branch office or agency in this state or solicit business as executor or trustee therein

Penalty

Act not to affect right of foreign corporation to lend moneys not forming part of its moneys belonging to business in this state

SEC. 8. Every corporation, at the time it applies for a certificate of authority to do a banking business, must file with

Requirements imposed
upon every corpora-
tion applying for
certificate of authority
to do a banking
business

the superintendent of banks a certified copy of its articles of incorporation, or of the statute chartering such corporation, a certified copy of its by-laws, and also a certified copy of all instruments amending or altering such articles of incorporation or charter or by-laws. Thereafter a certified copy of each amendment or certificate shall likewise be so filed before such instrument takes effect. There must also be filed in the office of the superintendent of banks before he shall issue his certificate a certified copy of the affidavit required by section two hundred ninety *a* of the Civil Code. Each certification required by the provisions of this section other than that of by-laws must be by the secretary of state.

Branch banks

SEC. 9. No bank in this state, or any officer or director thereof, shall hereafter open or keep an office other than its principal place of business, without first having obtained the written approval of the superintendent of banks to the opening of such branch office, which written approval may be

Prerequisites for
opening

given or withheld in his discretion, and shall not be given by him until he has ascertained to his satisfaction that the public convenience and advantage will be promoted by the opening

Capital required

of such branch office; *provided*, that no bank or any officer or director thereof, shall open or maintain any such branch office unless the capital of such bank, actually paid in, in cash, shall exceed the amount required by this act by the sum of twenty-five thousand dollars for each branch office opened and maintained. Every bank, before it opens a branch office, shall obtain the certificate of authority of the superintendent of banks

\$50 fee for certificate

for the opening of each of said branch offices. The applicant shall pay for such certificate a fee of fifty dollars; *provided*,

School savings

however, that, in order to encourage saving among the children of the schools of this state, a bank may, with the written consent of and under regulations approved by the superintendent of banks and, in the case of public schools, by the board of education or board of school trustees of the city or district in which the school is situated, arrange for the collection of savings from the school children by the principal or teachers of such schools or by collectors. The principal, teacher or person authorized by the bank to make collections from the school children shall

Bank may arrange for
collection from pupils
by teachers, etc.

be deemed to be the agent of the bank and the bank shall be liable to the pupil for all deposits made with such principal, teacher or other person, the same as if the deposits were made by the pupil directly with the bank. Every bank and every such officer or director violating the provisions of this section shall forfeit to the people of the state the sum of one hundred dollars for every day during which any branch office hereafter opened shall be maintained without such written approval.

Branch banks—
continued

Penalty

SEC. 10. No person shall be eligible for election as director of a bank having a capital stock unless he is a stockholder of the bank, owning, in his own right, shares thereof of the par value of at least five hundred dollars; and every person elected to be director who, after such election, shall cease to be the owner in his own right of the amount of such stock aforesaid, or shall hypothecate or in any way pledge such stock as security for any loan or debt shall immediately notify the superintendent of banks in writing of such sale or hypothecation and such director may be removed from the office of director by the superintendent of banks. If a bank be organized without capital stock, no person shall be eligible as a director thereof unless he is both a member and a depositor of such bank.

Directors

Qualifications for
election and continu-
ance in office

SEC. 11. The board of directors of a bank must hold a meeting at least once a month. Each director, when appointed or elected, shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such bank, and will not knowingly violate or wilfully permit to be violated any of the provisions of law applicable to such bank, and that he is the owner in good faith and in his own right of shares of stock of the par value required by section ten of this act, subscribed by him or standing in his name on the books of the bank, and that the same to an amount equal to the par value of at least five hundred dollars, are not hypothecated or in any way pledged as security for any loan or debt. Such oath shall be subscribed by the director making it, certified by the officer before whom it is taken, and immediately transmitted to the superintendent of banks and filed and preserved in his office.

Directors meetings

Oath of directors

Oath to be filed with
Superintendent.

No unauthorized person, firm or corporation, etc., shall advertise a banking business or do acts inducing public to believe that business is that of bank or trust company

SEC. 12. No person, firm, company, copartnership or corporation, either domestic or foreign, not subject to the supervision of the superintendent of banks, and not required, by the provisions of this act, to report to him, and which has not received a certificate to do a banking business from the superintendent of banks, shall advertise that he or it is receiving or accepting money or savings, and issuing notes or certificates of deposit therefor, or shall make use of any office sign, at the place where such business is transacted, having thereon any artificial or corporate name, or other words indicating that such place or office is the place or office of a bank or trust company, that deposits are received there or payments made on check, or any other form of banking business transacted, nor shall any such person or persons, firm, company, copartnership or corporation, domestic or foreign, make use of or circulate any letterheads, billheads, blank notes, blank receipts, certificates or circulars, or any written or printed, or partly written and partly printed, paper, whatever, having thereon any artificial or corporate name or other word or words indicating that such business is the business of a bank, savings bank or trust company; nor shall any such person, firm, company, copartnership or corporation, or any agent of a foreign corporation not having an established place of business in this state, solicit or receive deposits or transact business in the way or manner of a bank, savings bank or trust company, or in such a way or manner as to lead the public to believe that its business is that of a bank, savings bank or trust company. Nor shall any person, firm, company, copartnership or corporation, domestic or foreign, not subject to the supervision of the superintendent of banks, and not required by the provisions of this act to report to him, and which has not received from the superintendent of banks a certificate to do a banking business, hereafter transact business under any name or title which contains the word "bank," or "banker," or "banking," or "savings bank," or "savings" or "trust" or "trustee" or "trust company"; *provided*, that this section shall not apply to the corporate name of any building and loan association now or heretofore doing business in this state; *and provided, further*, that any such asso-

Unauthorized use of title containing word "bank," "banker," etc., "savings bank," etc., "trust" or "trust company," forbidden

Section shall not apply to name of existing building and loan association

ciation having in its corporate name words not clearly indicating the nature of its business shall, on all signs, letter heads and advertising matter, state "This is a building and loan association" or words to that effect; *and provided, further*, that any building and loan association may borrow money, issue investment certificates or evidences of indebtedness, stating the rate of interest and terms and conditions of repayment, and do such other business as may be authorized by the laws of the state relating to building and loan associations; *and provided, further*, that no such association shall advertise or hold itself out to the public as a savings bank. Any person, firm, company, copartnership or corporation, domestic or foreign, violating any provision of this section shall forfeit to the state one hundred dollars a day for every day or part thereof during which such violation continues. Upon action brought by the superintendent of banks the court may issue an injunction restraining any such person, firm, company, copartnership or corporation from further using such words in violation of the provisions of this section or from further transacting business in such a way or manner as to lead the public to believe that its business is that of a bank, savings bank or trust company during the pendency of such action and for all time and may make such other order or decree as equity and justice may require.

SEC. 12a. Every person, firm, company, copartnership or corporation, domestic or foreign, advertising that he or it is receiving or accepting money or savings, and issuing notes or certificates of deposit therefor, or advertising that he or it is transacting the business of a bank, savings bank or trust company, or making use of any office sign at the place where such business is transacted, having thereon any artificial or corporate name, or other words indicating that such place or office is the place or office of a bank, or trust company, or that deposits are received there or payments made on check, or that interest is paid on deposits, or that certificates of deposit, either with or without interest are being issued, or that any other form of banking business is transacted, and every person, firm, company, copartnership or corporation, domestic or foreign, mak-

Nature of business of building and loan association must be shown either by its title or advertising

No B. & L. Assn. shall hold itself out as a savings bank

Penalty

Injunction issuable restraining acts in violation of this section, etc.

Proper capital stock must be paid in before banking business is permitted

<p>Certificate must be had from Supt. before business may be transacted</p> <p>Penalty</p> <p>Injunction issuable against violations, etc.</p> <p>Business herein defined must be transacted according to this Act.</p> <p>Books examinable for violations</p> <p>This section not applicable to name of building and loan associations</p> <p>Any such association shall on signs and printed matter indicate it is a building and loan association</p> <p>Powers of such association</p>	<p>ing use of or circulating any letterheads, billheads, blank notes, blank receipts, certificates or circulars, or any written or printed, or partly written and partly printed, paper, whatever, having thereon any artificial or corporate name, or advertising that such business is the business of a bank, savings bank or trust company, must have the proper capital stock paid in and set aside for the purpose of transacting such business, and must have received from the superintendent of banks, as provided for in this act, a certificate to do a banking business. Any person, firm, company, copartnership or corporation, domestic or foreign, violating any provision of this section shall forfeit to the state one hundred dollars a day for every day or part thereof during which such violation continues. Upon action brought by the superintendent of banks the court may issue an injunction restraining any such person, firm, company, copartnership or corporation from further violating any provision of this section, and may make such further order or decree as equity and justice may require.</p> <p>Every person, firm, company, copartnership or corporation doing any of the things or transacting any of the business defined in this section, must transact such business according to the provisions of the bank act, and the superintendent of banks or his deputy or examiners shall have authority to examine the accounts, books and papers of every such person, firm, company, copartnership or corporation, domestic or foreign, in order to ascertain whether such person, firm, company, copartnership or corporation has violated or is violating any provisions of this section; <i>provided</i>, that this section shall not apply to the corporate name of any building and loan association now or heretofore doing business in this state; <i>and provided, further</i>, that any such association having in its corporate name words not clearly indicating the nature of its business shall, on all signs, letterheads and advertising matter, state: "This is a building and loan association" or words to that effect; <i>and provided, further</i>, that any building and loan association may borrow money, issue investment certificates or evidences of indebtedness, stating the rate of interest and terms and conditions of repayment, and do such other business as may be authorized by the laws of the state relating to building</p>
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and loan associations; *and provided, further*, that no such association shall advertise or hold itself out to the public as a savings bank.

No B. & L. Ass'n
to hold itself out as
a savings bank

SEC. 12*b*. Nothing in this act shall be construed or held to apply to any corporation organized under the laws of any other state which is authorized by its charter or articles of incorporation to transact the business of life insurance and also to be known as and to transact business as a trust company and which shall have complied with the laws of this state affecting the transaction in this state of the business of life insurance by a foreign corporation and which shall have heretofore engaged in such business of life insurance in this state, in such manner as to forbid or prevent its making use of its corporate title in its life insurance business in this state in any such way and to any such extent as it might have made use of the same if this act had not been passed.

Use of word "trust"
in title of foreign
Life Insurance
corporation

SEC. 12*c*. Any corporation organized under the laws of any country or state other than this state which has complied with all of the laws of this state pertaining to foreign corporations and is not engaged in the business of banking or receiving money on deposit in this state may lend money in this state and, for that purpose, may maintain offices in this state, and sue and be sued in this state under its proper corporate name, notwithstanding any prohibitions contained in this act as to the use of any words in the name, signs or advertising matter of corporations not under the supervision of the superintendent of banks.

Foreign corporation,
not transacting bank-
ing, may lend money

(SEC. 13. Repealed 1913.)

SEC. 14. No bank, or officer thereof, shall advertise in any manner, or publish any statement of the capital authorized or subscribed, unless it or he advertise and publish in connection therewith, the amount of capital actually paid up. No bank shall publish a statement of its resources or liabilities in connection with those of any other bank, unless such statement shall show the resources and liabilities of each bank separately; nor shall surplus and undivided profits be advertised as an aggregate.

Advertisement of
capital

Joint advertising
condition of
two banks

Unclaimed deposits
escheat to state
after 20 years

SEC. 15. All amounts of money heretofore or hereafter deposited with any bank to the credit of depositors who have not made a deposit on said account or withdrawn any part thereof or the interest, and which shall have remained unclaimed for more than twenty years after the date of such deposit, or withdrawal of any part of principal or interest, and for which no claimant is known or the depositor cannot be found, shall, with the increase and proceeds thereof, be deposited with the state treasurer in the same manner and subject to the same distribution as provided for in section one thousand two hundred thirty-four of the Code of Civil Procedure. The president or managing officer of every bank must, within fifteen days after the first day of January of every year, return to the superintendent of banks a sworn statement showing the names of depositors known to be dead, or who have not made further deposits, or withdrawn any moneys during the preceding twenty years and at the same time it shall be the duty of the president or managing officer of every bank to furnish to the state controller a list of the names of all depositors to whom said moneys belong or to whom said bank owes the same. Such statement shall show in detail the following matters, viz:

Annual statement
to Supt. and to state
Controller concern-
ing unclaimed
deposits

Above statements
shall include

First—The name and last known place of residence or postoffice address of the person making such deposit;

Second—The amount and date of such deposit and whether the same are in moneys or securities, and if the latter, the nature of the same;

Third—The interest due on such deposit, if any, and the amount thereof;

Fourth—The sum total of such deposit, together with the interest added thereto due from such bank on account of such deposit or deposits and interest thereon to such depositor, but nothing contained herein shall require any corporation or person renting lock boxes or safes in vaults for storage purposes to open or report concerning property stored therein. Such report itemized as aforesaid shall be signed by the person making the same and shall be sworn to before a person competent to administer oaths as a full, complete and truthful statement of each of the items therein contained. The president or man-

Exception as to
safe deposits

aging officer of every bank must, within fifteen days after the first day of January of every odd numbered year, return to the superintendent of banks a sworn statement showing the names of depositors known to be dead, or who have not made further deposits, or withdrawn any moneys during the preceding ten years. Such statements shall show the amount of the account, the depositor's last known place of residence or post office address, and the fact of death, if known to such president or managing officer. Such president or managing officer must give notice of these deposits in one or more newspapers published in or nearest to the town or city where such bank has its principal place of business, at least once a week for four consecutive weeks, the cost of such publication to be paid pro rata out of such unclaimed deposits. This section does not apply to any deposit made by or in the name of a person known to the president or managing officer to be living, or which, with the accumulation thereon, is less than fifty dollars. The superintendent of banks must incorporate in his subsequent report such returns made to him as provided in this section. If any president or managing officer of any bank neglects or refuses to make the sworn statement required by this section, such bank shall forfeit to the State of California the sum of one hundred dollars a day for each day such default shall continue. Any president or managing officer of any bank who violates any of the provisions of this section shall forfeit to the State of California the sum of one hundred dollars a day for each and every day such violation shall continue. For the purposes of this section all deposits received by any bank under the provisions of section thirty-one or section thirty-one *a* of this act shall be deemed to have been deposited with such bank at the time the deposit was made with the bank from which the deposit was transferred; *provided*, that any bank which shall make any deposit with the State Treasurer in conformity with the provisions of this section shall not thereafter be liable to any person for the same and any action which may be brought by any person against any bank for moneys so deposited with the State Treasurer shall be defended by the Attorney General without cost to such bank.

Biennial statement
to Supt. concerning
accounts dormant
10 years

Statement shall show

Publication of
statement

Small deposits
excepted

Penalties

Fixing date of receipt
of deposit transferred
from another bank
under Sec. 31 or 31a

Bank making deposit
with state treasurer
under this section
not thereafter liable

Deposit for married woman or minor to be held for exclusive benefit, etc.

SEC. 16. When any deposit with a bank shall be made by or in the name of any married woman or minor, the same shall be held for the exclusive right and benefit of such depositor, and free from the control or lien of all other persons, except creditors, and shall be paid, together with the dividends, if any, and interest, if any, thereon to the person in whose name deposits shall have been made, and the receipt or acquittance of such minor shall be a valid and sufficient release and discharge for such deposit, or any part thereof, to the bank.

Trust deposit provisions

When any deposit with a bank shall be made by any person in trust for another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to such bank, in the event of the death of the trustee, the same or any part thereof, together with the dividends or interest, if any, thereon, may be paid to the person for whom the deposit was made. When a deposit with a bank

Joint account provisions

shall be made by any person in the names of such depositor and another person or persons, and in form to be paid to either or the survivor or survivors of them, such deposit thereupon and any additions thereto made by either of such persons upon the making thereof, shall become the property of such person as joint tenants, and the same, together with all interest thereon, shall be held for the exclusive use of the persons so named, and may be paid to either during the lifetime of all or any or to the survivor or survivors after the death of one or more of them, and such payments and the receipt or acquittance of the one to whom such payment is made shall be valid and sufficient release and discharge to said bank for all payments made on account of such deposit.

Accounts of less than \$500 may be collected by next of kin without administration

The surviving husband or wife or the guardian of the estate of any insane or incompetent husband or wife of any deceased person, or, if no husband or wife is living, then the children or the guardian of the estates of any minor or insane or incompetent children of said decedent, or, if no children are living, then the father or mother or guardian of the estate of any insane or incompetent father or mother of such decedent, and if neither the father or mother is living, then the brothers and sisters or the guardian of the estates of any minor or insane

or incompetent brothers and sisters of such decedent, may, without procuring letters of administration, collect of any bank any sum which said deceased may have left on deposit in such bank at the time of his or her death; *provided*, such deposit shall not exceed the sum of five hundred dollars. Any bank, upon receiving an affidavit stating that said depositor is dead, and that affiant is the surviving husband or wife or the guardian of the estate of an insane or incompetent surviving husband or wife, as the case may be, of said decedent, or stating that decedent left no husband or wife, and that affiant is, or affiants are, the children, or the guardians of the estates of the minor, insane or incompetent children, as the case may be, of said decedent, or stating that decedent left neither husband, wife nor children, and that affiant is the father or mother, or the guardian of the estate of the insane or incompetent father or mother, as the case may be, of said decedent, or stating that the decedent left neither husband, wife, children, father nor mother, and that affiants are the brothers and sisters or the guardians of the estates of the minor, insane or incompetent brothers and sisters, as the case may be, of said decedent, and that the whole amount that decedent left on deposit in any and all banks of deposit of this state, does not exceed the sum of five hundred dollars, may pay to said affiant or affiants, any deposit of said decedent, if the same does not exceed the sum of five hundred dollars, and the receipt of such affiant is sufficient acquittance therefor; *provided, however*, that whenever the affidavit herein mentioned is made by any guardian it shall be accompanied by a certified copy of the letters of guardianship issued to such guardian attached to a certificate of the clerk of the court having appointed such guardian to the effect that the said letters of guardianship have not been revoked.

Bank to receive
affidavit from next
of kin claiming
deposit

Guardian's affidavit

SEC. 17. Every bank now in existence or hereafter organized shall keep in its offices, in a place accessible to the stockholders, depositors, and creditors thereof, and for their use, a book containing a list of stockholders in such corporation, and the number of shares of stock held by each; and every such bank shall keep posted in its office, in a conspicuous place,

Banks shall keep
accessible to stock-
holders, depositors
and creditors a list of
stockholders and
their holdings

Bank shall post in
office accessible
to public a list of
directors and their
holdings

accessible to the public generally, a notice signed by the president or secretary, showing:

1. The names of the directors of such bank.
2. The number and the par value of the shares of stock held by each director.

Time for making
changes in list and
notice

The entries on such book and such notice shall be made and posted within twenty-four hours after any transfer of stock, and shall be *prima facie* evidence against each director and stockholder of the number of shares of stock held by each.

(SEC. 18. Repealed 1913.)

Percentage of
capital and surplus
to deposits of
commercial banks

SEC. 19. The aggregate of paid-up capital together with the surplus, of every commercial bank, must equal ten per centum of its deposit liabilities; such deposit liabilities shall not be increased when such proportion of paid-up capital and surplus is wanting, and in no event shall said paid-up capital be less than the minimum paid-up capital provided by this act; *provided, however*, that the aggregate of paid-up capital and surplus of every savings bank having a capital stock, and the reserve fund of every savings bank without a capital stock, must equal the following percentages of its deposit liabilities:

Graduated scale for
savings banks

(a) Ten per centum of any amount up to and including two million dollars.

(b) Seven and one-half per centum of any amount in excess of two million dollars up to and including five million dollars.

(c) Five per centum of any amount in excess of five million dollars up to and including fifteen million dollars.

(d) Two and one-half per centum of any amount in excess of fifteen million dollars up to and including forty million dollars.

(e) One per centum of any amount in excess of forty million dollars.

The deposits shall not be increased if such proportion of paid-up capital and surplus or reserve fund to deposit liabilities is not maintained.

SEC. 20. Every commercial bank receiving deposits as a depositary bank of other banks shall have at all times as

its lawful money reserve an amount equal to twenty per centum of the aggregate amount of its deposits. Two-fifths of such reserve shall be in its own keeping in lawful money of the United States, or gold certificates or silver certificates of the United States. The remaining three-fifths thereof may consist of moneys on deposit subject to call with any bank or banks in this state other than a savings bank; or one half of such three fifths or any less portion thereof may consist of moneys on deposit subject to call with any bank or banks in the cities of New York, Chicago or St. Louis, other than a savings bank, and the balance of such three fifths, of moneys on deposit subject to call with any bank or banks in this state other than a savings bank. Every commercial bank not receiving deposits as a depository bank of other banks shall have at all times as its lawful money reserve, an amount equal to fifteen per centum of the aggregate amount of its deposits. Two fifths of such reserve shall be in its own keeping in lawful money of the United States, or gold certificates or silver certificates of the United States. The remaining three-fifths thereof may consist of moneys on deposit subject to call with any bank or banks in this state other than a savings bank; or, one half of such three fifths or any less portion thereof may consist of moneys on deposit subject to call with any bank or banks in the cities of New York, Chicago or St. Louis, other than a savings bank, and the balance of such three fifths, of moneys on deposit subject to call with any bank or banks in this state other than a savings bank. If the lawful money reserve of any bank shall be less than the amount required by this section, such bank shall not increase its liabilities by making any new loans or discounts, otherwise than by discounting bills of exchange on sight, or by paying any dividends from profits until the full amount of its lawful money reserve has been restored. The superintendent of banks may notify any bank whose lawful money reserve shall be below the amount herein required, to restore such reserve; and, if it shall fail for thirty days thereafter to restore such lawful money reserve, such bank shall be deemed insolvent and may be proceeded against under the pro-

Commercial bank reserves

Reserve requirements of depository banks

Reserve requirements of commercial banks not receiving deposits of other banks

Bank failing to make good depleted reserve when required by Superintendent so to do, shall be deemed insolvent

visions of this act; *provided*, that all deposits of money herein permitted or required shall comply with the provisions of section forty-three of this act.

Dividends when and
how declared

SEC. 21. The directors of any bank having a capital stock may, at certain times, and in such manner as its by-laws prescribe, declare and pay dividends to depositors and stockholders of so much of the profits of the bank, and of the interest arising from the capital, surplus and deposits, as may be appropriated for that purpose under its by-laws

Portion of profits to
be carried to surplus

or under its agreements with depositors, but every such bank shall, before the declaration of any such dividend, carry at least one tenth part of the net profits of the stockholders for the preceding half year, or for such period as is covered by the dividend, to its surplus, until such surplus shall amount to twenty-five per centum of its paid up capital

Surplus convertible
into paid in capital

stock. The whole or any part of such surplus, if held as the exclusive property of the stockholders, may at any time be converted into paid in capital, in which event such surplus shall be restored in the manner above provided until it amounts to twenty-five per centum of the aggregate

Losses in excess of
undivided profits,
chargeable to surplus,
except portion of
surplus invested in
premises, fixtures,
etc.

paid up capital stock. Subject to the provisions of section nineteen of this act, any losses sustained by any such bank in excess of its undivided profits may be charged to and paid from its surplus, in which event such surplus shall be restored in the manner above provided, to the amount required by law;

provided, however, that any bank which has invested any portion of its surplus in its bank premises, furniture and fixtures, vaults, or safe deposit vaults, and boxes necessary or proper to carry on its banking business shall not be permitted to charge any loss to that portion of its surplus so invested. A larger surplus may be created and nothing herein contained shall be construed as prohibitory thereof. The capital and assets of any such bank are a security to depositors and stockholders, depositors having the priority of security over stockholders.

No maximum limita-
tion to surplus

Capital and assets
security to depositor
and stockholder in
order named

Preference by pledg-
ing assets forbidden,
except as otherwise
authorized
provided that,

SEC. 21a. No bank, banker, or bank officer, shall give preference to any depositor or creditor by pledging the assets of the bank as collateral security, except as otherwise authorized by law; *provided* that any commercial bank, or commer-

cial department of a departmental bank, may borrow money for temporary purposes, and may pledge assets of said commercial bank, or commercial department of said departmental bank, not exceeding fifty per centum in excess of the amount borrowed, as collateral security therefor; *provided*, that any public moneys, or postal savings moneys, deposited with any such bank under any provision of law, shall not be construed as "borrowed money" within the meaning of this section. No bank shall at any time, without permission of the superintendent of banks, borrow an amount exceeding the amount of its paid-up capital stock and surplus at such time actually paid in and remaining undiminished by losses or otherwise. No bank shall make partial payments upon any certificate of deposit. In no case shall an overdraft of more than ninety days standing be allowed as an asset of any bank. Any debt due to any commercial bank, on which interest is past due and unpaid for the period of one year, unless the same is well secured, and is in process of collection, shall be considered a bad debt and shall be charged off to the profit and loss account at the expiration of that time.

commercial bank may pledge assets under certain conditions

Restriction as to public moneys or postal savings

No bank to borrow in excess of paid up capital and surplus without permission of Superintendent

Partial payment on C/D prohibited without permission of Superintendent.

Overdraft as asset

When debt deemed bad to be charged off

SEC. 22. Any corporation authorized by its articles of incorporation so to do, may combine the business of a commercial bank and savings bank and trust company, or any one or more or all of them; *provided*, that no corporation authorized to transact a trust business and which is also organized to engage in the business of title insurance, shall engage in or combine the business of a commercial bank or savings bank.

Departmental Banks

Restriction as to Title Ins. & Trust Co.

SEC. 23. When a bank desires to do a departmental business, it shall first obtain the consent of the superintendent of banks, and in its application therefor, file a statement making a segregation of its capital and surplus for each department. Such capital and surplus, when so apportioned and approved by the superintendent of banks, shall be considered and treated as the separate capital and surplus of such department as if each department was a separate bank. Thereafter a bank may, from time to time, with the previous consent and approval of the superintendent of banks and subject to the provisions of section nineteen of this act, change any segregation and ap-

Prerequisites to establishing departments

Apportionment and segregation of capital and surplus

**Departmental Banks
—continued**Paid up capital stock
requirements

portionment of capital and surplus previously made and make a new segregation and apportionment of its capital and surplus. Every bank hereafter organized doing a departmental business shall have paid up, in cash, capital stock as follows:

Where population
not over 5,000

(a) In any locality in which the population does not exceed five thousand persons, not less than twenty-five thousand dollars if it transacts both a commercial and savings business, or not less than one hundred twenty-five thousand dollars, if it transacts both a commercial and trust business, or not less than one hundred twenty-five thousand dollars if it transacts both a savings and trust business and not less than one hundred twenty-five thousand dollars if it transacts a commercial, savings and trust business.

Where population
5,000 to 25,000

(b) In any city in which the population is more than five thousand persons, but does not exceed twenty-five thousand persons, not less than fifty thousand dollars if it transacts both a commercial and savings business, or not less than one hundred fifty thousand dollars if it transacts both a commercial and trust business, or not less than one hundred fifty thousand dollars if it transacts both a savings and trust business, and not less than one hundred fifty thousand dollars if it transacts a commercial, savings and trust business.

Where population
25,000 to 100,000

(c) In any city in which the population is more than twenty-five thousand persons but does not exceed one hundred thousand persons, not less than one hundred thousand dollars, if it transacts both a commercial and savings business, or not less than two hundred thousand dollars if it transacts both a commercial and trust business, or not less than two hundred thousand dollars if it transacts both a savings and trust business, and not less than two hundred thousand dollars if it transacts a commercial, savings and trust business.

Where population
100,000 to 200,000

(d) In any city in which the population is more than one hundred thousand persons but does not exceed two hundred thousand persons, not less than two hundred thousand dollars, if it transacts both a commercial and savings business, or not less than four hundred thousand dollars if it transacts both a commercial and trust business, or not less than four hundred thousand dollars if it transacts both a savings and trust business.

ness, and not less than four hundred thousand dollars if it transacts a commercial, savings and trust business.

**Departmental banks
—continued**

(e) In any city in which the population exceeds two hundred thousand persons, not less than three hundred thousand dollars if it transacts both a commercial and savings business, or not less than five hundred thousand dollars if it transacts both a commercial and trust business, or not less than five hundred thousand dollars if it transacts both a savings and trust business, and not less than five hundred thousand dollars if it transacts a commercial, savings and trust business.

When population
exceeds 200,000

The foregoing classification shall not apply to any bank already in existence which has received from the superintendent of banks a certificate to do a banking business; nor to any bank the location of which shall have been included by annexation or consolidation within the limits of a city of a class requiring a larger capitalization, but no bank thus excepted shall be permitted to establish any new branch office as provided in section nine of this act or to remove its place of business from the original limits of the city or township wherein it was located prior to such annexation or consolidation until it shall have the capital required of banks in such city not within said exception. Such excepted banks may not in any case decrease their capital stock but may increase the same in the manner provided by law to an amount either greater or less than that required of banks in such city not within said exception. The capital stock referred to herein shall be increased from time to time and to the same extent as provided for in section nineteen of this act.

Classification
not applicable to
existing bank, or to
bank included by
annexation in larger
city

Restrictions as to
excepted banks

Capital of such banks
subject to provisions
Sec. 19

For the purposes of this act, the population shown and determined by the last preceding federal census, or any subsequent census compiled and certified under any law of this state, shall be deemed to be the population of any city in which any such bank is to be organized. If the principal place of business of any bank so organized is located outside of the corporate limits of any city, then the population of that portion of the judicial township in which said bank is to have its principal place of business, which is not included within the boundaries of any municipal corporation, as such population is shown and

Population—
how determined

**Departmental Banks
—continued**

Shall obtain certificate of Supt. for each department

Prerequisites to certificate

Shall maintain separate reserves and assets for each department

Deposit by a department with other banks

One department not to receive deposits from another
(Note exception)

Conditions governing sale of bonds, etc., by one dept. to another

Separate account books for each department, etc.

determined by such federal or subsequent official census, shall be the basis for classification under the provisions of this act.

SEC. 24. Every bank, before it commences to do business or before it opens a new department and commences to transact business in or under such new department, shall obtain the certificate of the superintendent of banks for the opening of each of the departments specified. Each certificate herein provided for shall be given when the superintendent shall, by the examination required by this act, have satisfied himself that the proper amount of cash has been paid in as capital and the provisions of this act complied with. The applicant shall pay for the certificate for each department a fee of fifty dollars.

SEC. 25. Every bank shall maintain for each department a lawful money reserve equal in amount to that required by this act for the respective business conducted, and shall keep separate and distinct the lawful money reserve of any department from that of any other department; and all deposits made with other banks, whether temporary or otherwise, shall be assets of the respective departments by which they were made, and shall be so carried on the books of such other banks, and shall be repaid only upon the order of the department to whose credit they stand. No department shall receive deposits of any other department of the same corporation; except that a trust department may make deposits of trust or any other funds under its control with the commercial or savings department of the same corporation; *provided, however*, that any bank having departments shall have the right to sell and transfer any bonds, securities or loans from one department to another upon receipt of the actual value thereof, if such bonds, securities or loans are, under the provisions of this act, a legal investment for the department purchasing the same.

SEC. 26. Every bank having different departments shall keep separate books of account for each department of its business, and shall be governed as to all deposits, reserves, investments and transactions relating to each department by

the provisions in this act specifically provided for the respective kind of business.

Departmental Banks
—continued

It shall keep all investments relating to the savings department entirely separate and apart from the investments of its other department or departments.

Savings dept. investments to be kept separate

Every bank shall conduct the business of all its departments in one building, or in adjoining buildings, and shall keep entirely separate and apart in each department the cash, securities and property belonging to such department, and shall not mingle the cash, securities and property of one department with that of another.

Departments to be in same or adjoining buildings

Mingling of cash, securities, etc., forbidden

SEC. 27. All money and assets belonging to each department, whether on hand or with other banks, and the investments made, shall be held solely for the repayment of the depositors and other claimants of each such department, as herein provided, until all depositors and other claimants of each such department shall have been paid, and the overplus then remaining shall be applied to any other liabilities of such bank.

Priority of claims against assets of department

SEC. 28. Every bank in this state must, on all its window signs and in advertising, and on letterheads and other stationery on which its business is transacted, use the word "savings" if it conducts a savings business, or the word "trust" if it conducts a trust business, and the word "commercial" if it conducts a commercial business.

Signs, advertising, etc., must specify class of business transacted

SEC. 29. Every corporation heretofore created under the laws of this state, doing a banking business therein, and which has no capital stock, may elect to have a capital stock, and may issue certificates of stock therefor, in the same manner as corporations formed under the provisions of part IV, title I, chapter I, article I, of the Civil Code, relating to the formation of corporations; *provided*, that no such corporation shall use or convert any moneys or funds theretofore belonging to it, or under its control, into capital stock; but such funds or moneys must be held and managed only for the purposes and in the manner for which they were created. Before such change is made, a majority of the members of such corporation present at a meeting called for the purpose of considering the proposition whether it is best to have a capital stock, its amount, and

Bank without capital stock convertible into stock company

Prerequisites to such conversion

Meeting to be called

the number of shares into which it shall be divided, must vote in favor of having a capital stock, fix the amount thereof, and the number of shares into which it shall be divided.

Notice of meeting—
how given

Notice of the time and place of holding such meeting, and its object, must be given by the president of such corporation by mailing notice of such meeting to each member of such corporation at his last known postoffice address at least ten days prior to the day fixed for such meeting, and by publication in some newspaper printed and published in the county, or city and county, in which the principal place of business of the corporation is situated, at least once a week for three

Copy of proceedings
of meeting, etc., to
be filed with secretary
of state and county
clerk

successive weeks prior to the holding of the meeting. A copy of the proceedings of this meeting, giving the number of persons present, the votes taken, the notice calling the meeting, the proof of its publication, the amount of capital actually subscribed, and by whom, all duly certified by the president and secretary of the corporation, must be filed in the office of the secretary of state and clerk of the county where the articles of incorporation are filed. Thereafter such corporation is possessed of all the rights and powers, and is subject to all the obligations, restrictions, and limitations, as if it had been originally created with a capital stock.

Effect of proceedings

Bank may conduct
safe deposit
department

SEC. 30. Any bank may conduct a safe deposit department, but shall not invest more than one-tenth of its capital and surplus in such safe deposit department.

Business of bank or
of a department may
be sold to other bank

SEC. 31. Any bank may sell the whole of its business or the whole of the business of any of its departments to any other bank which may purchase such business after obtaining the consent of the stockholders of the selling and of the purchasing banks holding of record at least two thirds of the issued capital stock of each of such corporations; such consent to be expressed either in writing executed and acknowledged by such stockholders and attached to the instrument of sale, or to a copy thereof, or by vote at a stockholders' meeting of each of such banks called for that purpose. The selling and purchasing banks must for such purposes enter into an agreement of sale and purchase, which agreement shall contain all the terms and conditions

Method of making
sale

connected with such sale and purchase. Such agreement shall contain proper provision for the payment of liabilities of the selling bank or of the department sold, and in this particular shall be subject to the approval of the superintendent of banks; and shall not be valid until such approval is obtained. Such agreement may contain provisions for the transfer of all deposits to the purchasing bank, subject, however, to the right of every depositor of the selling bank to withdraw his deposit in full on demand after such transfer, irrespective of the terms under which it was deposited with the selling bank. The rights of creditors of the selling bank shall not in any manner be impaired by any such sale, nor shall any liability or obligation for the payment of any money due or to become due, or any claim or demand, in any manner, or for any cause existing against such selling bank or against any stockholder thereof, be in any manner released or impaired, and all the rights, obligations and relations of all the parties, creditors, depositors, trustees and beneficiaries of trusts shall remain unimpaired by the sale, but such bank to which the other shall sell all its business or all the business of any of its departments, shall succeed to all such relations, obligations, trusts and liabilities and be held liable to pay and discharge all such debts and liabilities and to perform all such trusts of the selling bank in the same manner as if such bank to which the other had sold had itself incurred the obligation or liability or assumed the relation of trust, and the stockholders of the respective corporations so entering into such agreement shall continue subject to all the liabilities, claims and demands existing against them as such at or before such sale. Immediately after the execution of such agreement of sale and purchase notice thereof shall be published for at least four successive weeks in a newspaper in each of the counties of the state in which either of such banks shall have its principal place of business; *provided, however*, that no action can be brought against such selling bank or any of its stockholders on account of any deposits so transferred after the expiration of one year from the last day of publication herein required.

Sale of business
—continued

Provisions of agreement of sale

Rights of creditors and liabilities of selling bank unimpaired by sale

Purchasing bank succeeds to rights and obligations of selling bank

Notice of sale of bank to be published

Limitation of actions on account of transferred deposits

**Consolidation of
banks**Affidavit of publica-
tion of notice of sale
to be filed

An affidavit showing such publication shall be filed in the office of the superintendent of banks within ten days after the last publication thereof. The affairs of such selling bank, or selling department of a bank, shall remain subject to the provisions of this act.

State banks may
consolidate

SEC. 31a. Any bank incorporated under the laws of this state may consolidate with one or more banks incorporated under the laws of this state, its capital stock, properties, trusts, claims, demands, contracts, agreements, obligations, debts, liabilities and assets of every kind and description, upon such terms and in such manner as may be agreed upon by their respective boards of directors, a copy of which agreement must be filed in the office of the superintendent of banks; *provided*, that such agreement shall be subject to the approval of the superintendent of banks and shall not be valid until such approval be obtained; *provided, further*, that no such consolidation shall take effect until such agreement shall have been ratified and confirmed in writing by the stockholders of the respective banks holding of record at least two thirds of the issued capital stock of their respective banks, or such agreement may be submitted to the stockholders of each of such corporations at a meeting thereof to be called upon notice specifying the time, place and object thereof, addressed to each stockholder at his last known post office address and deposited in the post office, postage prepaid, at least two weeks prior to the date fixed for said meeting, and published for at least two successive weeks, prior to the date of said meeting, in a newspaper in each of the counties of the state in which any of such banks shall have its principal place of business, and if such agreement shall be approved at each of such meetings of the respective stockholders separately by the vote or ballot of the stockholders owning at least two thirds of the stock of each such bank, the same shall be the agreement of such banks. In case of such consolidation "articles of incorporation and consolidation" must be prepared, setting forth:

First—The name of the new corporation;

Second—The purpose for which it is formed;

Agreement of directors
to be approved by
SuperintendentAgreement to be
ratified by
stockholdersArticles of incorpora-
tion and consolidation
to be prepared

Third—The place where its principal business is to be transacted; **Consolidation of banks**

Fourth—The term for which it is to exist, which shall not exceed fifty years; **Contents of such articles**

Fifth—The number of its directors (which shall not be less than three) and the names and residences of the persons appointed to act as such until their successors are elected and qualified;

Sixth—The amount of its capital stock and the number of shares into which it is divided;

Seventh—The amount of stock actually subscribed, and by whom;

Eighth—The names of the constituent corporations.

Said articles of incorporation and consolidation must be signed and countersigned by the president and secretary of each constituent corporation and sealed with their corporate seals. There must be annexed thereto the approval of the superintendent of banks and memoranda of the ratification and confirmation thereof by the stockholders of each constituent corporation, which must be respectively signed and acknowledged by stockholders representing at least two thirds of the capital stock of their respective corporations. When completed as aforesaid said articles must be filed in the office of the county clerk of the county in which is located the principal place of business of the new corporation, and a copy of the articles of incorporation and consolidation certified by such county clerk must be filed in the office of the secretary of state, and a copy of the articles of incorporation and consolidation certified by said secretary of state must be filed in the office of the superintendent of banks, and also in the office of the county clerk of any county in which were filed the original articles of incorporation of either of the constituent corporations, and thereupon each constituent corporation named therein must be deemed and held to have become extinct in all courts and places, and said new corporation must be deemed and held in all courts and places to have succeeded to all their several capital stocks, properties, trusts, claims, demands, contracts, agreements, assets, choses and rights in action of every kind

Articles to be signed by officers of banks; approved by Supt. ratified by stockholders

Filing of articles

Constituent corporations become extinct: New corporation succeeds to all rights and obligations

**Consolidated banks
—continued****Other results of con-
solidation upon new
corporation****Existing contracts
not impaired by
consolidation, etc.****Right of consolidated
corporation to effect
organic changes to
be governed by
general corporation
laws and by this act****Mingling of trust
funds with other
assets forbidden
except as
provided in Sec. 25**

and description, both at law and in equity, and to be entitled to possess, enjoy, and enforce the same and every thereof, as fully and completely as either and every of its constituents might have done had no consolidation taken place. Said consolidated or new corporation must also, in all courts and places, be deemed and held to have become subrogated to its several constituents and each thereof, in respect to all their contracts and agreements with other parties, and all their debts, obligations, and liabilities, of every kind and nature, to any persons, corporations, or bodies politic, whomsoever, or whatsoever, and said new corporation must sue and be sued in its own name in any and every case in which any or either of its constituents might have sued or might have been sued at law or in equity had no such consolidation been made. Nothing in this section contained shall be construed to impair the obligation of any contract to which any of such constituents were parties at the date of such consolidation. All such contracts may be enforced by action or suit, as the case may be, against the consolidated corporation, and satisfaction obtained out of the property which, at the date of the consolidation, belonged to the constituent which was a party to the contract in action or suit, as well as out of any other property belonging to the consolidated corporation, and the stockholders of each constituent corporation so entering into such agreement shall continue subject to all the liabilities, claims and demands existing against them at or before such consolidation to the same extent as if the same had not been made. The right of said new corporation to increase or decrease its capital stock, to change the number of its directors, to amend its articles of incorporation, to change its principal place of business, or its name, or to effect any other organic change shall be governed by the general corporation laws of this state and by the bank act, and the procedure to effect any such change shall be that defined by the general corporation laws and the bank act.

SEC. 32. Any bank receiving trust funds in accordance with the provisions of this act relating to trust companies must not mingle such trust funds with the other assets of the corporation, except as otherwise provided in section

twenty-five of this act, and such funds shall not be carried or counted as any part of the lawful money reserve provided for in this act. The officers of any bank who knowingly violate or consent to the violation of this provision shall be guilty of a felony.

Trust funds no part
of lawful reserve

Violation

(SEC. 33. Repealed 1913.)

SEC. 34. No bank shall purchase or invest its capital or surplus or money of its depositors, or any part of either, in shares of its own capital stock; nor loan its capital or surplus or the money of its depositors, or any part of either, on shares of its own capital stock, unless such purchase or loan shall be necessary to prevent loss to such bank on debts previously contracted in good faith. Every person or corporation violating any provision of this section shall forfeit to the people of the state twice the nominal amount of such stock.

No bank to purchase
or lend upon its own
capital stock, unless
necessary to prevent
loss on debt

Penalty

SEC. 35. No director, or officer, or employee, or controlling stockholder of any bank shall, directly or indirectly, for his own account, for himself, or as the partner or agent of others, sell or transfer, or cause to be sold or transferred to the bank of which he is a director, officer, employee, or controlling stockholder, any note or bond secured by any mortgage or trust deed on real estate or any contract arising from the sale of real estate in which such director, or officer, or employee, or controlling stockholder is personally or financially interested, without the consent in writing of the superintendent of banks. Any director, or officer, or employee, or controlling stockholder of any bank who knowingly violates or consents to the violation of this provision shall be guilty of a felony.

No director, etc.,
financially interested
may sell to his bank
any note, etc.,
without consent of
Superintendent.

Violation made
felony

SEC. 36. No bank receiving deposits of money shall purchase, agree to purchase, underwrite or guarantee any bond issue in excess of five per centum of its assets, except bonds of the United States, of the State of California, of the cities, cities and counties, counties or school districts of this state.

Limitation upon
purchase or guarantee
of bonds

SEC. 37. No bank shall purchase or invest its capital or surplus or money of its depositors, or any part of either, in the capital stock of any corporation unless the purchase or acquisition of such capital stock shall be necessary to pre-

No bank to purchase
capital stock unless
to prevent loss on
debt

Stock so purchased
must be resold

Penalty

Director, etc., making
or concurring in false
entry or report, etc.,
or omitting certain
entries, etc., guilty
of felony

vent loss to the bank on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six months thereafter if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within one year after such purchase or acquisition. Every person or corporation violating any provision of this section shall forfeit to the people of the state twice the nominal amount of such stock.

SEC. 38. A director, officer, agent or employee of any bank who,

First—Knowingly receives or possesses himself of any of its property otherwise than in payment for a just demand, and with intent to defraud, omits to make or to cause or direct to be made a full and true entry thereof in its books and accounts; or,

Second—Concurs in omitting to make any material entry thereof; or,

Third—Knowingly concurs in making or publishing any written report, exhibit or statement of its affairs or pecuniary condition containing any material statement which is false; or,

Fourth—Having the custody or control of its books, wilfully refuses or neglects to make any proper entry in the books of such corporation as required by law, or to exhibit or allow the same to be inspected and extracts to be taken therefrom by the superintendent of banks, his chief deputy or any of his examiners, shall be guilty of a felony.

SEC. 39. Any officer, director, agent, teller, clerk or employee of any bank who either,

First—Knowingly overdraws his account with such bank, and thereby obtains the money, notes or funds of any such bank; or,

Second—Asks or receives or consents or agrees to receive any commission, emolument, gratuity or reward, or any money, property or thing of value, for his own personal benefit, or of personal advantage, for procuring or endeavoring to procure for any person, firm or corporation any loan from, or the pur-

Officer, etc., who
overdraws his account
or receives commis-
sion, etc., for procur-
ing loan, etc.,
guilty of felony

chase or discount of any paper, note, draft, check or bill of exchange, by such bank, or for permitting any person, firm or corporation to overdraw any account with such bank, is guilty of a felony.

SEC. 40. No bank mentioned in this act shall make any contract with any of its depositors whereby the stockholders' liability provided for by the constitution of this state is in any manner waived, and if any such contract shall be so made, such contract shall be void.

Contract with depositor
waiving stockholder's
liability void

SEC. 41. No officer, director, agent, or other employee of any bank shall directly or indirectly, for his own personal benefit, purchase, or be interested in the purchase of any obligation of said bank for a less sum than shall appear upon the face of such obligation to be the value thereof. Every person violating any provision of this section, shall for each offense forfeit to the people of the state, three times the face value of any such obligation so purchased.

No officer, etc., shall
be interested in pur-
chase of obligation of
bank for less than
face value

Penalty

SEC. 42. No officer, director, agent or other employee of any bank, shall directly or indirectly, for his own personal benefit, purchase, or be interested in the purchase of any of the assets of said bank for a less sum than the current market value thereof. Every person violating any provision of this section, shall for each offense, forfeit to the people of the state, twice the nominal amount of any such assets so purchased.

No officer, etc., shall
be interested in pur-
chase of assets of
bank for less than
market value

Penalty

SEC. 43. No bank shall deposit any of its funds in any other bank unless such other bank has been designated as a depository for its funds by the vote of a majority of the directors, or trustees of the bank making the deposit, exclusive of the vote of any director who is an officer, director, or trustee of the depository so designated; *provided, however,* that any bank may designate any other bank its depository by vote of a majority of its directors, including the vote of any director or trustee who is an officer, director or trustee of the depository so designated, if such bank has secured the previous approval of the superintendent of banks, which approval he may at any time revoke for proper cause.

Selection of
depository bank

Restrictions upon

Loan secured by stock
of other banks or
corporations:—
limitation upon

SEC. 44. No bank shall hereafter make a loan secured by the stock of another bank, if by making such loan the total stock of such other bank held by such loaning bank as collateral will exceed in the aggregate twenty-five per centum of the capital stock of such other bank; *provided*, that no loan upon the capital stock of any bank shall be made unless such bank has been in existence at least two years and has earned and paid a dividend upon its capital stock; *and provided, further*, that no bank may loan more than five per centum of its assets upon the capital stock of any corporation whatsoever as collateral security.

Unpaid interest not
deemed profits,
previous to dividend

SEC. 45. Interest unpaid, although due or accrued, on debts owing to any bank, shall not be included in calculation of its profits previous to a dividend.

Limitation on loan
or investment in
one bond issue

SEC. 46. No bank shall invest or loan more than five per centum of its assets in any one bond issue, except bonds of the United States, of the State of California, of the counties, cities and counties, cities or school districts of this state.

Loan by commercial
bank on real estate—

SEC. 47. No commercial bank shall, except for the purpose of facilitating the sale of property owned by the bank, make any loan on the security of real estate, unless it is a first lien and is either

First lien—short term

(1) Made for a period of time not exceeding six months and upon security worth fifteen per centum more than the market value of the real estate taken as security; or

First lien—long term

(2) Made for a period of time exceeding six months and not exceeding ten years and does not exceed sixty per centum of the market value of the real estate taken as security.

Subsequent liens or
incumbrances—when
permitted

No commercial bank shall loan in the aggregate more than thirty-five per centum of its assets on real estate loans of the character specified in subdivision two of this section. These provisions, however, shall not prevent any bank from taking another and immediately subsequent mortgage or deed of trust thereon when it already holds a first mortgage or deed of trust on such real estate, nor from accepting a second lien on real estate to secure the repayment of a debt previously contracted in good faith; nor shall it prevent subsequent liens of any kind from being taken to secure the payment of a debt

previously contracted in good faith when, in the judgment of the directors of such bank, such subsequent liens are necessary further to secure the payment of any debts and save such bank from loss.

SEC. 48. Any national bank in this state receiving the deposits of any bank organized and conducting business under this act, must, at the request of the superintendent of banks, submit to an examination by him, or his duly appointed examiners, should the superintendent of banks in his discretion deem it necessary or desirable that such examination be made; and the expense of such examination shall be paid by such national bank; and if any such national bank shall refuse to permit such examination to be made by, or under the direction of, the superintendent of banks, then the superintendent of banks shall notify in writing every bank depositing its funds with such national bank, to withdraw its deposits therefrom, and all such banks shall comply with such order.

Supt. may examine national bank in this state receiving deposit of state bank

Effect of non-compliance by national bank

SEC. 49. It shall not be lawful for any commercial bank, individual, trust company, association, firm, stock company, copartnership or corporation, to advertise or put forth a sign as a savings bank, either directly or indirectly or in any way to solicit or receive deposits or to transact business in the way or manner of a savings bank, or advertise that he or it is receiving or accepting savings, or in any way which might lead the public to believe that such deposits are received or invested under the same conditions or in the same manner as deposits in savings banks, except in the case of savings banks or banks having savings departments, subject to the provisions of this act. Any commercial bank, individual, trust company, association, firm, stock company, copartnership or corporation, violating any provision of this section shall forfeit to this state one hundred dollars a day for every day during which such violation continues.

Only savings banks may solicit or receive savings deposits

Penalty

SEC. 50. Every bank shall post in a conspicuous place in its banking room or branch office the last certificate obtained from the superintendent of banks under the provisions

Bank shall post last certificate from Supt.

of either section nine or one hundred twenty-seven of this act.

Court may authorize
executor, guardian,
trustee, etc., etc.,
to deposit in state
bank

SEC. 51. Any court having appointed and having jurisdiction of any executor, administrator, guardian, assignee, receiver, depository or trustee, upon the application of such executor, administrator, guardian, assignee, receiver, depository or trustee, or upon the application of any person having an interest in the estate administered upon by such officer or trustee, after notice to other parties in interest as the court may direct, and after a hearing upon such application, may authorize such officer or trustee to deposit any money then in his hands as such officer or trustee or which may thereafter come into his hands, and until the further order of the court, in any bank organized under the laws of the State of California; and upon such deposit being made, the officer or trustee so depositing the same shall thereafter and while such moneys remain on deposit in such bank, be relieved and discharged from all liability and responsibility therefor, and the bond required of such officer or trustee given upon his appointment shall be thereupon by said court reduced to such an amount as the court may deem reasonable; such deposit shall be repaid only upon the orders of said court, and shall be a preferred claim against such bank and be paid in full before any other depositor of such bank shall have been paid.

Such deposit relieves
such officer or trustee
from liability, etc.

Such deposit payable
only on court order;
is preferred claim

Certified checks

Must be immediately
charged

Unlawful to certify
check drawn against
insufficient funds

Violation made felony

SEC. 52. Whenever a check drawn on any bank is certified by any officer or employee of such bank, the amount thereof shall be immediately charged against the account of the person, firm or corporation drawing the same.

It shall be unlawful for any officer or employee of any bank to certify any check drawn upon such bank unless the person, firm or corporation drawing the check has on deposit with the bank at the time such check is certified, an amount of money subject to the payment of such check, equal to the amount specified in such check.

Any officer or employee of any bank who shall wilfully violate the provisions of this section, or shall resort to any device, or receive any fictitious obligations, directly or indirectly, in order to evade the provisions hereof, or who shall

certify checks before the amount thereof shall have been regularly entered to the credit of the drawer, shall be guilty of a felony.

SEC. 53. The capital stock of any bank having a capital stock, shall have a par value of at least one hundred dollars and the paid-up value shall be endorsed on the face of each certificate issued, which paid-up value shall be the same on all certificates issued. No bank shall have preferred stock.

Par value of bank stock to be at least \$100

Paid up value to be endorsed on certificates, etc.
Preferred stock forbidden

SEC. 54. All real estate purchased by any bank at sales under pledges, mortgages or deeds of trust for its benefit for money loaned and such as may be conveyed to it by borrowers in satisfaction and discharge of loans made thereon and all other real estate owned or held by it, which is not necessary for carrying on its business, must be sold by such bank within five years after title thereto shall have vested in it by purchase or otherwise. Parcels of such real estate not sold within said time may be purchased by any person wanting the same upon the conditions and proceedings following: The intending purchaser may file a petition in the superior court in and for the county wherein said real estate or any portion thereof is situated; upon the filing of such petition a citation shall be issued out of said court directed to the bank owning such real estate requiring such bank to show cause on a day certain which shall be not earlier than ten days after the service of such citation, why commissioners should not be appointed by said court for the purpose of appraising the value of the real estate described in the petition and of selling the same at public auction under the provisions of this section. If there shall be any liens or encumbrances of record against such real estate the person or persons holding such liens or encumbrances shall likewise be cited and the court shall in its final decree distribute the proceeds of such sale, if a sale thereof shall be made, according to the equities of the parties. If it shall appear at the hearing of such petition that the real estate therein sought to be purchased is held by such bank in violation of the provisions of this section or of the constitution of this state, the court shall appoint three commissioners to appraise the value thereof and sell the same at public auction at the

All real estate to be sold within 5 years after bank acquires same (note exception)

Bank holding real estate over 5 years may be compelled to sell same

Court procedure invoked by intending purchaser

Forced sales of real estate—continued	county seat of the county wherein said real estate or any part thereof is located. Notice of which said sale shall be given to
Provisions for sale	the bank owning said real estate and to any other persons interested therein as shown by the records of such county at least ten days before the date of such sale and shall be published once a week for three successive weeks in some newspaper published in the county where such real estate or any part thereof may be located, or if no newspaper shall be published in such county, then in a newspaper published in some neighboring county. Such notice shall state the time and place of such sale and shall describe the real estate to be sold with common certainty and state the value thereof as fixed by the appraisalment of such commissioners and state that no bid less than such appraised value will be received therefor. No sale
What notice of sale shall state	shall be made for an amount less than the appraised value of such real estate fixed by said commissioners, and in the event that no bid is received at such sale at least equal to said appraised value of said real estate no intending purchaser can institute the proceedings provided for in this section within one
Conditions of sale	year thereafter. In case of any sale made under the provisions of this section and of the refusal of any bank owning such real estate or of any lienholder or encumbrancer to execute the conveyances or releases necessary or proper to vest the title of such bank, lienholder or encumbrancer in the purchaser thereof the court shall have power in such proceedings to direct said commissioners to execute such deeds, conveyances or releases upon the payment to them of the purchase price therefor. The
Powers given to vest title in purchaser	fees of such commissioners and cost of sale shall be fixed by the court, upon making such appointment, but the entire expense thereof shall not exceed one hundred dollars. The cost of any such proceedings shall be borne by the intending purchaser if no sale shall be made, but if a sale shall be made the costs of such proceedings shall be borne by the purchaser of the property and the person who filed the petition and advanced the costs of such proceedings shall be reimbursed in
Fees, costs, etc., by whom borne	case he shall not become such purchaser. All sales hereunder shall be returned to the court having jurisdiction of the matter in the same manner as in the case of sales, by commissioners, of real estate on foreclosure of mortgages. Nothing in this sec-
Returns of sales to be made	

tion contained shall be deemed to affect the power of the superintendent of banks to require the writing down of the value of real estate held by any bank, at any time, when such writing down shall be proper.

Supt. may require bank to write down value

SEC. 55. Receiving deposits, issuing certificates of deposit, checks and bills of exchange, and the like, in the transaction of the ordinary business of a bank, must not be construed to be the creation of debt within the meaning of the phrase "create debt" in section three hundred nine of the Civil Code, nor of indebtedness within the meaning of the phrase "the capital stock cannot be diminished to an amount less than the indebtedness of the corporation" in section three hundred fifty-nine of the Civil Code, except that no bank shall reduce its capital stock to an amount less than is required by this act to be maintained by such bank, or less than any indebtedness of such bank other than such deposits.

What transactions not construed to "create debt," etc.

The terms "real estate," or "real property," or "personal property," when used in this act shall have the meaning defined in, and shall be construed in accordance with the provisions of title I of part I of division second of the Civil Code.

Definition of "real estate," "real property," "personal property"

SEC. 56. Any bank organized and existing under the laws of this state is hereby authorized and empowered to join or associate itself with any "national reserve association of the United States" or branch thereof, or any plan now or hereafter created or established by act of congress whether such banking or currency association or plan be created by congress under the above or any other name. Nothing in this act shall prohibit any such bank from joining or associating itself with any such association or plan or branch thereof nor from investing any part of its capital or surplus in the stock of such association, plan or branch thereof in accordance with the terms and provisions of such act of congress; *provided, however*, that such investment shall in no case exceed the minimum amount required to join or associate itself with such association, plan or branch thereof. Any bank joining or associating itself with such association, plan or branch

State bank authorized to join "National reserve association,"

Investment in such association limited

thereof, shall be permitted to conform to and transact its business in accordance with the terms and provisions of such act of congress creating the same and the rules and regulations of such association, plan or branch thereof, anything in this act to the contrary notwithstanding.

ARTICLE II.

SAVINGS BANKS.

Capital required
of savings banks

Population not over
5,000—\$25,000

5,000 to 25,000
population—\$50,000

25,000 to 100,000
population—\$100,000

100,000 to 200,000
population—\$200,000

More than 200,000
population—\$300,000

SEC. 60. Every savings bank hereafter organized must have paid up in cash a capital stock of not less than

- (a) Twenty-five thousand dollars if its principal place of business is located in any locality the population of which does not exceed five thousand persons;
- (b) Fifty thousand dollars if its principal place of business is located in any city the population of which is more than five thousand persons, but does not exceed twenty-five thousand persons;
- (c) One hundred thousand dollars if its principal place of business is located in any city the population of which is more than twenty-five thousand persons but does not exceed one hundred thousand persons;
- (d) Two hundred thousand dollars if its principal place of business is located in any city the population of which is more than one hundred thousand persons but does not exceed two hundred thousand persons;
- (e) Three hundred thousand dollars if its principal place of business is located in any city the population of which is more than two hundred thousand persons.

Excepting that any savings bank organized without capital stock must have a reserve fund of at least one million dollars.

Until the capital stock or reserve fund hereinbefore required shall be actually paid in, the superintendent of banks shall refuse to issue the certificate required by this act. The foregoing classification shall not apply to any savings bank already in existence which has received its certificate to do a banking business from the superintendent of banks; nor to

Foregoing classifica-
tion not retrospective

any bank the location of which shall have been included by annexation or consolidation within the limits of a city of a class requiring a larger capitalization, but no bank thus excepted shall be permitted to establish any new branch office as provided in section nine of this act or to remove its place of business from the original limits of the city or township wherein it was located prior to such annexation or consolidation until it shall have the capital required of banks in such city not within said exception. Such excepted banks may not in any case decrease their capital stock but may increase the same in the manner provided by law to an amount either greater or less than that required of banks in such city not within said exception; *provided*, that nothing herein shall be construed to affect the provisions of section nineteen of this act relative to the proportion of capital and surplus to deposits or of section twenty-three of this act relative to the capital stock required of banks doing a departmental business. The provisions of section twenty-three of this act, as to population, shall apply to any bank organized under the provisions of this section.

Capital requirements of existing savings bank not affected by annexation, etc.

Sec. 19 and Sec. 23 unaffected by Sec. 60

How population is determined

SEC. 61. Any savings bank may purchase, hold and convey real or personal property as follows:

Property which savings bank may purchase, hold and convey
(1) Bank premises, furniture, fixtures, etc. two-thirds vote of directors necessary for purchase or construction

1. The lot and building in which the business of the bank is carried on; furniture and fixtures, vaults and safe deposit vaults and boxes necessary or proper to carry on its banking business; such lot and building, furniture and fixtures, vaults and safe deposit vaults and boxes shall not, in the aggregate, be carried on the books of such bank as an asset to an amount exceeding its paid up capital and surplus; and hereafter, the authority of a two-thirds vote of all of the directors shall be necessary to authorize the purchase of such lot and building, or the construction of such building.

2. Such as may have been mortgaged, pledged or conveyed to it in trust for its benefit in good faith, for money loaned in pursuance of the regular business of the corporation.

(2) Property mortgaged, pledged or conveyed as security for loans

3. Such as may have been purchased at any sales under pledge, mortgage or deed of trust made for its benefit for

(3) Property purchased at sales under pledge, mortgage, etc.

money so loaned and such as may be conveyed to it by borrowers in satisfaction and discharge of loans made thereon.

What personal prop-
erty savings bank
may purchase, own
or sell:

No savings bank shall purchase, own, or sell personal property, except such as may be requisite for its immediate accommodation for the convenient transaction of its business, notes or bonds secured by trust deeds or mortgages on real estate, bonds, securities or evidences of indebtedness, public or private, gold or silver bullion and United States mint certificates of ascertained value, and evidences of debt issued by the United States. No savings bank shall purchase, own, hold or convey bonds, securities or evidences of indebtedness, public or private, except as follows:

What bonds, securities,
etc., savings bank
may purchase, own
or sell:

U. S. Bonds, etc.

(a) Bonds or interest bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest;

Bonds of this state

(b) Bonds of this state, or those for which the faith and credit of the State of California are pledged for the payment of principal and interest;

Bonds of any state
not in default, etc.

(c) Bonds of any state in the United States that has not, within five years previous to making such investment by such bank, defaulted in the payment of any part of either principal or interest;

Bonds of any California county, city and county, city, school district, county road division, sewer, drainage, reclamation, protection, sanitary, or irrigation districts, etc., subject to specified limitations

(d) Bonds of any county, city and county, city or school district of this state; bonds of any permanent road division in any county issued in pursuance of the provisions of article IX chapter II; title VI; part III of the Political Code; bonds of any sewer district, drainage district, reclamation district, protection district, or sanitary district organized under the laws of this state; and any irrigation district bonds which the law may now or hereafter authorize to be used as security for the deposit of public moneys; *provided*, that the total amount of bonds so issued by any such sewer district, drainage district, protection district or sanitary district, does not exceed fifteen per centum of the value of the taxable property in said district as shown by the last equalized assessment roll of the county in which said district is located; and *provided, further*, that the total amount

of bonds issued by any such irrigation district does not exceed sixty per centum of the aggregate market value of the lands within such district, and of the water, water rights, canals, reservoirs, reservoir sites and irrigation works owned or to be acquired or constructed with the proceeds of any of such bonds, by said district, such facts in reference to bonds of irrigation districts to be determined by a commission now or hereafter authorized by law to ascertain and report upon such facts.

**Bonds which are
legal investments
—continued**

(e) Bonds of any county, city and county, city or town, in any state of the United States other than the State of California, issued under authority of any law of such state, which county, city and county, city or town, had, as shown by the federal or state census next preceding such investment, a population of more than twenty thousand inhabitants; *provided, however,* that the entire bonded indebtedness of such county, city and county, city or town, including such issue of bonds does not exceed fifteen per centum of the value of the taxable property therein as shown by its last equalized assessment roll; *and provided, further,* that such county, city and county, city or town, or the state in which it is located has not defaulted in payment of either principal or interest due upon any legally authorized bond issue within five years next preceding such investment.

Bonds of any county, city and county, city or town in any foreign state, meeting specified requirements

(f) (1) Bonds of any railroad corporation incorporated under the laws of the State of California and operating exclusively therein, provided said corporation has had, for its fiscal year next preceding such investment, net earnings, after payment of all maintenance charges, operating expenses and taxes, sufficient to pay the interest on all of its outstanding mortgage indebtedness; or

(See note page 49)

(2) Bonds of any railroad corporation incorporated under the laws of any other state in the United States, operating at least five hundred miles of standard gauge track exclusive of sidings; *provided,* said corporation has had for its fiscal year next preceding such investment, net earnings, after the payment of all maintenance charges, operating expenses and taxes, amounting to at least one and one-

Bonds of California railroad corporation conforming to specified requirements

Bonds of any railroad corporation organized under laws of any foreign state, meeting specified requirements

**Bonds which are
legal investments
—continued**

Guaranteed bonds of
any railroad corpora-
tion meeting specified
requirements

half times the interest on all its outstanding mortgage indebtedness; or

(3) Bonds of any railroad corporation, the payment of which has been guaranteed, both as to principal and interest, by a railroad corporation meeting the requirements of either subdivision (1) or (2) of paragraph (f) of this section; the income of which latter corporation, together with the income of any corporation whose bonds it has guaranteed, shall have been sufficient to pay all its maintenance charges, operating expenses, taxes and interest on all its outstanding mortgage indebtedness and, in addition thereto, interest on the total outstanding mortgage indebtedness of any other corporation the payment of which it has guaranteed, for the periods specified in the respective subdivisions of this paragraph relating thereto; *provided*, that the excess of income of any corporation whose bonds have been so guaranteed, over its maintenance charges, operating expenses, taxes and interest on its outstanding mortgage indebtedness, shall not apply to or be included in determining the income so required.

Additional require-
ments relating to
bonds specified in
paragraph (f) of
subdivision 3

In determining the income of any corporation specified in paragraph (f) of subdivision three of this section, there shall be included the income of any corporation or corporations out of which it shall have been formed through consolidation or merger, and of any corporation or corporations, the entire business and income producing property of which the corporation issuing such bonds has wholly acquired.

All bonds authorized for investment by paragraph (f) of subdivision three of this section must be secured by a mortgage or trust deed which is at the time of making such investment either a first mortgage or deed of trust, a refunding mortgage or deed of trust providing for the retirement of all prior lien mortgage debts of said corporation, or an underlying or divisional closed mortgage or trust deed of property which forms a part of the operating system of the corporation then owning said property.

Further requirements
as to railroad bonds

No savings bank shall purchase the bonds of any railroad corporation deriving less than twenty per centum of its gross receipts from passenger revenues.

The term "railroad corporation" when used in paragraph (f) of subdivision three of this section shall have the meaning defined in the "Public Utilities Act" approved December 23, 1911.

**Bonds which are
legal investments
—continued**

"Railroad corporation" defined

(g) Bonds of any street railroad corporation; or of any gas; water; pipe line; light; power; light and power; gas, light and power; electrical; telephone; telegraph; or telephone and telegraph corporation or of any other "public utility" incorporated under the laws of the State of California; and

Bonds of street railroad corporation, etc., or other "public utility" incorporated in this state, meeting designated requirements (See note page 49)

(1) Operating exclusively in the State of California, *provided*, said corporation has had, for its fiscal year next preceding such investment, net earnings, after the payment of all maintenance charges, operating expenses and taxes, amounting to one and one-half times the interest on all its outstanding mortgage indebtedness; or

(2) Operating its property in part within the State of California, *provided*, said corporation has had, for each of its two fiscal years next preceding such investment, net earnings, after the payment of all maintenance charges, operating expenses and taxes, amounting to one and one-half times the interest on all of its outstanding mortgage indebtedness; or

(3) The payment of which is guaranteed, both as to principal and interest, by a public utility corporation meeting the requirements of either subdivision (1) or (2) of paragraph (g) of this section, the income of which latter corporation, together with the income of any corporation whose bonds it has guaranteed, shall have been sufficient to pay all its maintenance charges, operating expenses, taxes and interest on all its total outstanding mortgage indebtedness, and in addition thereto, interest on the total outstanding mortgage indebtedness of any other corporation the payment of which it has guaranteed, for the period specified in the respective subdivisions of this paragraph relating thereto; *provided*, that the excess of income of any corporation whose bonds have been so guaranteed, over its maintenance charges, operating expenses, taxes and interest on its out-

Bonds which are
legal investments
—continued

standing mortgage indebtedness shall not apply to or be included in determining the income so required.

Income of corporation

In determining the income of any corporation specified in paragraph (g) of subdivision three of this section, there shall be included the income of any corporation or corporations out of which it shall have been formed through consolidation or merger, and of any corporation the entire business and income producing property of which the corporation issuing such bonds has wholly acquired.

All bonds authorized
by paragraph (g)
must be secured by
mortgage or deed of
trust of specified
character and within
certain limitations

All bonds authorized for investment by paragraph (g) of subdivision three of this section must be secured by a mortgage or trust deed which is at the time of making such investment; either

I. A closed first mortgage or deed of trust; or

II. A first mortgage or deed of trust containing provisions restricting the issuance of further bonds until such time as the income of said corporation shall have been at least sufficient, during the twelve months next preceding the issuance of any additional bonds, to pay all maintenance charges, operating expenses, taxes and one and one-half times the interest on all its mortgage indebtedness then outstanding and on the additional bonds then proposed to be issued; or

III. A refunding mortgage or deed of trust providing for the retirement of all prior lien mortgage debts of said corporation, and restricting the issuance of further bonds until such time as the income of said corporation shall have been at least sufficient, during the twelve months next preceding the issuance of any additional bonds, to pay all maintenance charges, operating expenses, taxes and one and one-half times the interest on all its mortgage indebtedness then outstanding, and on the additional bonds then proposed to be issued; or

IV. An underlying or divisional closed mortgage or trust deed of property which forms a part of the operating system of the corporation then owning said property. In the case of bonds secured by an underlying or divisional closed mortgage or trust deed, the net income required by this section shall be

based exclusively upon the income, maintenance charges, operating expenses, taxes and mortgage indebtedness of or against the property covered by such underlying or divisional closed mortgage or trust deed, or on the proper proportionate share of such property in the general income, maintenance charges, operating expenses, taxes and mortgage indebtedness of the corporation then owning such property; *provided, however*, that if the payment of the bonds secured by such underlying or divisional closed mortgage or trust deed shall be guaranteed or assumed by the corporation then owning the property securing the same, such bonds shall be legal investments for savings banks, if the net income of such corporation from all sources after paying all of its maintenance charges, operating expenses, taxes and mortgage indebtedness shall equal the amount herein required, notwithstanding any insufficiency of the income derived from the property covered by such underlying or divisional closed mortgage or trust deed to meet the requirements of this section.

Bonds which are
legal investments
—continued

The term "street railroad corporation," "pipe line corporation," "gas corporation," "electrical corporation," "telephone corporation," "telegraph corporation," "water corporation," and "public utility," when used in paragraph (g) of subdivision three of this section, shall each have the meaning defined in the "Public Utilities Act" approved December 23, 1911.

"Street railroad corporation" and other terms defined by reference to "Public Utilities Act"

(h) Notes or bonds secured by first mortgage or deed of trust or other first lien upon real estate, improved or unimproved; *provided*, that the entire note or bond issue shall not exceed sixty per centum of the market value of such real estate, or such real estate with improvements, taken as security; *and provided, further*, in case the said note or bond issue is created for a building loan on real estate, that at no time shall the entire outstanding note or bond issue exceed sixty per centum of the market value of the real estate and the actual cost of the improvements thereon taken as security.

Notes secured by first mortgage or deed of trust or other first lien upon real estate, etc. —with certain limitations

(i) Collateral trust bonds or notes when secured by either: (See note page 49)

**Bonds which are
legal investments
—continued**

(1) Deposit of bonds authorized for investment by this section, of a market value at least fifteen per centum in excess of the par value of the collateral trust bonds or notes issued; or

Collateral trust bonds
or notes when secured
by deposit of author-
ized bonds as
specified

(2) Deposit of bonds authorized for investment by this section, and other securities, of a combined market value at least twenty per centum in excess of the par value of the collateral trust bonds or notes issued; *provided*, that the par value of said collateral trust bonds or notes shall in no case exceed the market value of that portion of the security represented by bonds authorized for investment by this section.

Bonds legal for invest-
ment by savings
banks in New York
and Mass., with
specified restrictions

(j) Bonds legal for investment by savings banks in the States of New York or Massachusetts; *provided, however*, that as to bonds of the character specified in paragraph (c) or (e) of subdivision three of this section, such bonds shall also conform to the requirements of either of such paragraphs.

Certificates of par-
ticipation in first
mortgage on real
estate, etc., issued
by domestic corpora-
tion—under specified
restriction

(k) Certificates issued by a corporation organized under the laws of this state with a paid-up capital stock of not less than one hundred thousand dollars, evidencing and conferring participation to an indicated amount in a first mortgage on real estate and the debt secured thereby, and guaranteeing the payment of the principal of the mortgage debt at its maturity or within some specified time thereafter and agreeing to pay interest on the amount of the participation at some specified rate, the mortgage however and debt thereby secured to be assigned to a trust company and held by it as security for the payment of said mortgage certificates and for the performance of all conditions imposed thereby upon the corporation issuing the same; *provided*, the said first mortgage indebtedness shall not exceed sixty per centum of the market value of the real estate taken as security, *and provided, further*, that the trust company shall certify on each certificate that the aggregate amount of the certificates issued evidencing and conferring participation in any one such mortgage and mortgage debt does not exceed the principal of the said mortgage debt; *but provided, nevertheless*, that, unless such certificates are made legal investment for savings banks by other law of this

state, no savings bank shall purchase any such certificates until the corporation issuing the same has first obtained the written approval of the superintendent of banks to such certificates as an investment for savings banks. The actual expense of investigating any issue of such certificates presented to the superintendent of banks for approval shall be paid by the corporation presenting the same, and the superintendent of banks, before making such investigation may require a cash deposit of such amount as he may deem necessary to cover such expense. The superintendent of banks may accept and act upon the opinions and appraisements of any title insurance or abstract company, attorneys or appraisers which may be presented by such corporation so applying, and the reports of any of the executive officers of the corporation issuing such certificates, on any question of fact concerning or affecting such certificates, the security thereof, or the financial condition of the corporation issuing the same. In lieu of or in addition to such opinions, appraisements and reports, the superintendent of banks may, if he deems proper, have any or all such matters passed upon and certified to him by attorneys, appraisers or accountants of his own selection at the expense of the applicant. The superintendent of banks shall keep an official list of all issues of such certificates approved by him.

No notes, bonds, or other securities, the payment of which is secured by any mortgage or deed of trust executed after September 1, 1913, shall be deemed to come within or conform to the requirements of either of paragraphs (f), (g) or (i) of subdivision three of this section, unless such notes, bonds or other securities shall, in the manner provided in this act, have been certified by the superintendent of banks, to come within and fully conform to the requirements of one or the other of said paragraphs.

The legality of investments heretofore lawfully made pursuant to the provisions of this section, or of any law of this state as it existed on and subsequent to July 1, 1909, shall not be affected by any amendments to this section or this act; nor shall any such amendments require the changing of investments once lawfully made under this act.

**Bonds which are
legal investments
—continued**

Approval of
Superintendent
to purchase such cer-
tificates required,
unless same made legal
investment by other
law of this state

Expense of
Superintendent's
investigation

Superintendent
to keep list of
approved certificates

Note: After Sept. 1,
1913, certain securities
referred to in para-
graphs (f), (g) and (i)
must have been cer-
tified by Supt.

Legal investments
that are not affected
by this act

Bonds which are
legal investments
—continued

Supt. may require
bank to write down
bonds

Classes of bonds,
etc., issued by any
"Public utility" in
which savings bank
may invest, etc.

Any bonds authorized by this section as a legal investment for savings banks may be carried on the books of said bank at their investment value, based on their market value at the time they were originally bought, unless the superintendent of banks shall require any or all of the bonds which may thereafter have a market value less than the original investment value to be written down to such new market value which shall be done gradually if practicable and in such manner as he may determine; or he may, by a plan of amortization to be determined by him, require such gradual extinction of premium as will bring such bonds to par at maturity.

No savings bank shall hereafter purchase or loan money upon any bond, note or other evidence of indebtedness, issued by any "public utility," subject to the jurisdiction, regulation or control of the railroad commission of this state under the provisions of the "Public Utilities Act," approved December 23, 1911, unless each such bond, note or other evidence of indebtedness was either:

- (a) Issued prior to the taking effect of the "Public Utilities Act"; or
- (b) Issued under authority of the railroad commission, in accordance with the provisions of said act; or
- (c) A note issued for a period not exceeding twelve months, in accordance with the provisions of subdivision (b) of section fifty-two of said act.

No provision of this act
to obligate state of
California to be liable
for, or guarantee pay-
ment, regularity, etc.,
of securities certified
under this act by
Superintendent

No provision of this act, and no act, or deed, done or performed under or in connection therewith, and no finding made or certificate issued under any provision thereof, shall be held or construed to obligate the State of California to pay, or be liable for the payment of, or to guarantee in any manner whatsoever, the regularity or the validity of the issuance of any stock or bond certificate, or bond, note, or other evidence of indebtedness certified under any provision of this act, by the superintendent of banks, as being in conformity with the requirements of any paragraph of subdivision three of this section.

SEC. 61a. The superintendent of banks shall have power, when any issue of bonds or securities is presented to him for

that purpose, to investigate and ascertain whether such bonds or securities come within and fully conform to all the requirements of paragraphs (f), (g), (h) or (i) of subdivision three of section sixty-one of this act, or of either of said paragraphs. He may also investigate and ascertain for what period of time, and upon what conditions, any franchise granted to or held by any corporation issuing any such bonds or securities will remain in force. The actual expense of investigating any issue of bonds or securities so presented shall be paid by the person or corporation presenting the same for investigation, and the superintendent of banks, before making such investigation may require a cash deposit of such amount as he may deem necessary to cover such expense. The superintendent of banks may accept and act upon the opinions and appraisements of any attorneys or appraisers which may be presented by such person or corporation so applying, and the reports of any of the executive officers of the corporation issuing such bonds or securities, on any question of fact concerning or affecting such bonds or securities, the security thereof, the franchise conditions herein mentioned, or the financial condition of the corporation issuing the same. In lieu of or in addition to such opinions, appraisements and reports, the superintendent of banks may, if he deems proper, have any or all such matters passed upon and certified to him by attorneys, appraisers or accountants of his own selection at the expense of the applicant. If the superintendent of banks shall find from such investigation that the bonds or securities so presented come within and fully conform to all the requirements of any of said paragraphs of subdivision three of section sixty-one of this act, and is satisfied from such investigation as to such franchise conditions, he shall so certify, otherwise a certificate shall be refused. The superintendent of banks shall keep an official list of all bonds and securities certified by him.

Bonds which are legal investments—continued

Supt. may investigate securities presented and ascertain if they conform to act

Expense of investigation

On questions concerning securities Supt. may act on legal opinions and appraisements presented by applicants

Supt. may select attorneys, appraisers and accountants, at expense of applicant

Supt. shall certify or refuse certificate

Supt. to keep list of securities certified

SEC. 62. No savings bank shall, directly or indirectly, deal or trade in real or personal property in any other case or for any other purpose than is authorized by this act, and shall not contract any debt or liability for any purpose whatever other than for deposits, except as in this section provided.

Restrictions upon savings bank dealing in property and contracting debts, etc.

Savings bank may
pay depositor by
draft when
requested

Savings banks may pay regular depositors, when requested by them, by draft upon deposits to the credit with their banks, and charge current rate of exchange for such drafts.

Savings bank not to
borrow money except
to meet demands of
depositors—except
may borrow certain
public moneys and
postal savings
moneys

No savings bank shall borrow money, or pledge or hypothecate any of its securities, except to meet the immediate demands of its own depositors, and then only in pursuance of a resolution adopted by a vote of a majority of its board of directors, duly entered upon their minutes, wherein shall be recorded the ayes and nays upon each vote; also with the written approval of the superintendent of banks, and he shall have the authority to fix the amount to be borrowed, and the term and rate of interest thereon; provided, however, that savings banks may, in the manner authorized by law, and without the written approval of the superintendent of banks, borrow the public moneys of the state, counties, cities and counties, and towns and receive such public moneys on deposit; provided, also, that savings banks may in the manner authorized by law, and without the written approval of the superintendent of banks, borrow postal savings moneys of the United States, and receive such postal savings moneys on deposit.

Savings bank may
issue certificates of
deposit

SEC. 63. Savings banks may issue general certificates of deposit, which are transferable, as in other cases, by indorsement and delivery; may issue, when requested by the depositor, special certificates, acknowledging the deposit by the person therein named of a specified sum of money, and expressly providing on the face of such certificate that the sum so deposited and therein named may be transferred only on the books of the bank; payment thereafter made by the bank to the depositor named in such certificate, or to his assignee named upon the books of the bank, or in case of death, to the legal representative of such person, of the sum for which such special certificate was issued, shall discharge the bank from all further liability on account of the money so paid.

Time certificates of
deposit subject to
same conditions as
other deposits, etc.

All time certificates of deposit, issued by a savings bank, shall be subject to the same limitations and conditions as applied to other deposits, and notice thereof shall be given by the words "Subject to conditions of agreement with depositors" printed on the face of the certificate issued.

SEC. 64. Each savings bank must prescribe by its by-laws, or by contract with its depositors, the time and conditions on which repayment is to be made to depositors, except as in this act otherwise provided. In all cases the by-laws or contracts shall provide that notice of at least thirty days may, at the option of any such bank, be required to be given of intention to withdraw any deposit or part thereof, but whenever there is any call by depositors for repayment of a greater amount than the bank may have disposable for that purpose, the directors or officers thereof must not make any new loan or investment of the funds of the depositors or of earnings thereof until such excess of call has ceased. The directors of any such bank having no capital stock shall, before the declaration of any dividend, carry at least one-tenth part of the net profits of such bank, for the preceding half year, or for the period covered by said dividend, to its reserve fund. Subject to the provisions of section nineteen of this act, any losses sustained by any such bank may be charged to and paid out of its reserve fund. A larger reserve fund may be created and nothing herein contained shall be construed as prohibitory thereof. The assets of any such bank are a security to its depositors. Any such bank organized without capital stock, may provide by its by-laws for the disposal of any amount in its reserve fund in excess of the amount required by section nineteen of this act and may also provide for final disposal upon the dissolution of the bank of its reserve fund or the balance thereof remaining after payment of any losses of such bank.

Savings bank to prescribe by its by-laws or by contract, time and conditions of repayment to depositor

Notice of at least thirty days at option of bank to be given by depositor

Savings bank without capital stock shall carry at least one-tenth profits to reserve

Disposition of such reserve

SEC. 65. No loan shall be made, directly or indirectly, to any director or officer of any savings bank by such bank, or on the endorsement, surety or guaranty of any such officer or director, except that loans may be made to any corporation in which any director or officer of such savings bank may own or hold a minority number of shares of stock, upon authorization of a majority of all the directors of such savings bank and the affirmative vote of all directors of such savings bank present at the meeting authorizing such loan; *provided, however*, that such loan shall in all other respects conform to and comply with all other provisions of this act. Such interested

Savings bank shall not loan to any director or officer, or upon his endorsement, etc., except may loan to corporation in which director or officer holds minority stock

Loans—continued

Interested director
not to act on such
loan

Facts concerning
such loan to be re-
ported to Supt.

Savings bank may
loan to agent or
employee

Requirements

Facts concerning
such loan to be
reported to Supt.

Violations of section**Penalties**

director or officer shall not vote or participate in any manner in the action of the board on such loan. Such authorization shall be entered upon the records or minutes of such savings bank. The fact of making such loan, the names of the directors authorizing such loan, the corporate name of the borrower, the name of each director or officer of such bank who is a member, stockholder, or director of the corporation to which such loan is made, the amount of such loan, the rate of interest thereon, the time when the loan will become due, the amount, character and value of security given therefor and the fact of payment, when made, shall be forthwith reported in writing by the cashier or secretary of such savings bank to the superintendent of banks.

A loan may be made to any agent or employee, other than an officer or director, of any savings bank by such bank upon authorization of a majority of all the directors of such savings bank and an affirmative vote of all directors of such savings bank present at the meeting authorizing such loan; *provided, however,* that such loan shall in all respects conform to and comply with all other provisions of this act. Such authorization shall be entered upon the records or minutes of such savings bank. The fact of making such loan, the names of the directors authorizing such loan, the name of the borrower, the nature of his employment, the amount of such loan, the rate of interest thereon, the time when the loan will become due, the amount, character and value of the security given therefor, and the fact of payment, when made, shall be forthwith reported in writing by the cashier or secretary of such savings bank to the superintendent of banks. Any officer or director of any savings bank, who knowingly procures a loan from such savings bank, contrary to the provisions of this section, shall be guilty of a felony. In case of the neglect or failure of the secretary or cashier of any such bank, to report to the superintendent of banks, as herein provided, any of the facts so required to be reported, the bank shall be liable therefor and shall forfeit to the people of the State of California twenty-five dollars per day for each day, or part thereof, during which such neglect or failure continues.

SEC. 66. No savings bank shall hereafter make any loans to any person, firm, co-partnership or corporation to an amount exceeding fifty per centum of the actual paid up capital stock and surplus of such bank, or in the case of a bank organized without capital stock, to an amount exceeding fifty per centum of the reserve fund of such bank; *provided, however*, that any savings bank having a paid-up capital and surplus of less than fifty thousand dollars, but not less than twenty-five thousand dollars, may make any such loan on real estate security to an amount not exceeding twenty-five thousand dollars; *and provided further*, that any savings bank having a paid-up capital and surplus of less than twenty-five thousand dollars may make any such loan on real estate security to an amount not exceeding its paid up capital and surplus, if each such loan in all other respects conforms to the provisions of this act. The renewal or extension of any loan heretofore legally made by any savings bank shall not be construed to be a "loan hereafter made" within the meaning of the provisions of this section. The legality of investments heretofore lawfully made pursuant to the provisions of this act as it existed on and subsequent to July 1, 1909, shall not be affected by the provisions of this section. For the purposes of this section an endorser or guarantor shall be deemed to be a borrower.

Loans—continued

Savings bank not to make loans to any person, etc., exceeding 50% paid up capital and surplus

Exceptions to foregoing

Renewal or extension of loan heretofore made

Endorser or guarantor deemed borrower

SEC. 67. 1. No savings bank shall loan money except on adequate security of real or personal property, and no such loan shall be made for a period longer than ten years; *provided*, that no such loan shall be made on unsecured notes.

Savings bank to loan only on adequate security for limited period

2. No savings bank shall invest or loan more than five per centum of its assets on any one bond issue, except bonds of the United States, of the State of California, bonds for which the faith and credit of the United States or of the State of California are pledged, or bonds of any county, city and county, city or school district in this state, or bonds of any irrigation district such as are legal for investment by savings banks.

Restrictions on investment in or loan on any one bond issue

3. No savings bank shall loan money:

- (a) On bonds of the character specified in paragraphs (a), (b), (c), and (d) of subdivision three of section sixty-one of this act, unless such bonds shall have a

Loans on various classes of bonds, etc.—margin of security required

Loans—continued

Loans by savings
banks on various
classes of bonds, etc.
—margin of security
required

market value at least ten per centum in excess of the amount loaned thereon; or,

- (b) On bonds of the character specified in paragraphs (e), (f) and (g) or on bonds or notes of the character specified in paragraph (i) of subdivision three of section sixty-one of this act, unless such bonds or notes shall have a market value at least fifteen per centum in excess of the amount loaned thereon; or,
- (c) On bonds legal for investment by savings banks in the states of New York or Massachusetts, unless such bonds shall have a market value at least fifteen per centum in excess of the amount loaned thereon; or,
- (d) On personal property unless such personal property shall have a market value at least fifty per centum in excess of the amount loaned thereon; or,
- (e) On other bonds, or on the capital stock of any corporation, unless such bonds or stock shall have a market value at least fifty per centum in excess of the amount loaned thereon; *provided, however*, that no loan shall be made upon the capital stock of any bank unless such bank has been in existence at least two years and has earned and paid a dividend on its capital stock.

Real estate loans:
To be first liens

Not to exceed 60%
of market value

When bank may
take second lien

First mortgage
real estate bonds

4. No savings bank shall make any loan on the security of real estate, except it be a first lien, and in no event to exceed sixty per centum of the market value of any real estate taken as security except for the purpose of facilitating the sale of property owned by such savings bank; *provided*, that a second lien may be accepted to secure the repayment of a debt previously contracted in good faith; *and, provided, also*, that any savings bank holding a first mortgage or deed of trust on real estate may take or purchase and hold another and immediately subsequent mortgage or deed of trust thereon, but all such loans shall not exceed in the aggregate sixty per centum of the market value of the real estate securing the same; *provided, further*, that a savings bank may loan not to exceed ninety per centum of the face value of a note or bond secured by a first mortgage or deed of trust on real estate, but in no event shall any such loan exceed ninety per centum of sixty

per centum of the market value of the real estate covered by said mortgage or deed of trust. **Loans—continued**

5. No savings bank shall purchase, invest or loan its capital, surplus or the money of its depositors, or any part of either, in mining shares or stock. Any president or managing officer who knowingly consents to a violation of any provision of this section shall be guilty of a felony.

Savings bank not to invest in or loan on mining stock

Violation of Sec. 67 by certain officers a felony

SEC. 68. Every savings bank or savings department of a bank, shall at all times maintain a lawful money reserve equivalent to four per centum of the aggregate amount of its deposits; one half of such lawful money reserve shall be kept on hand in lawful money of the United States or gold certificates or silver certificates of the United States, and one-half may consist of bonds of the United States or of lawful money of the United States or gold certificates or silver certificates of the United States, on hand or on deposit subject to call with any reserve bank provided for in section twenty of this act; *provided, however*, that no savings bank or savings department shall be required to maintain in its own keeping a lawful money reserve in excess of four hundred thousand dollars, and when such lawful money reserve in its own keeping reaches that amount, the balance of cash necessary to make up the four per centum may be kept on deposit subject to call with any reserve bank provided for in section twenty of this act. No new loan shall be made during any deficiency in the lawful money reserve. Deposits with any commercial bank, or commercial department of a bank, on open account, to facilitate business transactions, as provided in this section, shall be permitted, and shall not be construed as loans. Not more than five per centum of the deposits of any savings bank shall be deposited with any one bank, except with the consent of the superintendent of banks. Not more than fifteen per centum of the deposits of any savings bank shall be deposited with all other banks, except with the consent of the superintendent of banks. No savings bank or savings department shall receive deposits of other banks other than savings deposits and such deposits shall not be treated or considered as a part

Reserve required of savings bank;

4% of deposits

How and where to be kept

No new loans during deficiency in reserve

Restrictions on deposits with and from other banks

of the lawful money reserve of such depositing bank; *provided*, that the sum so deposited shall not exceed ten thousand dollars.

Public administrator
may allow deposit of
decendent to remain
in savings bank
where deposited

SEC. 68½. Where a decendent, at the time of his or her death, left moneys on deposit with a savings bank, it shall be lawful for any public administrator, who shall become the administrator of the estate, to allow such deposit to remain in said savings bank, and also, it shall be lawful for him to deposit therein to the account of said decendent, any and all moneys of said estate not required for the current expenses of administration. Such deposit, whether made by the decendent or a public administrator, shall relieve the public administrator from depositing the same with the county treasurer. Moneys so deposited, whether by the decendent or by a public administrator, may be drawn upon demand without notice, upon the order of said administrator, countersigned by a judge of a superior court, when required for the purpose of administration or otherwise.

Effect of such deposit

Method of withdrawal

Savings banks to
conform to this act

SEC. 69. Every savings bank, and the business of every savings department of every other bank, must be conducted under and in accordance with the provisions of this act.

ARTICLE III.

COMMERCIAL BANKS.

Loans

Percentages of paid
up capital and sur-
plus that may be
loaned by commer-
cial bank to any
borrower:
(1) 10% without
security
(note exceptions)

SEC. 80. No commercial bank shall make any loans to any person, firm, co-partnership or corporation, to an amount exceeding the following percentages of its capital stock actually paid in and surplus:

1. Ten per centum without security, except where such capital stock and surplus is less than twenty-five thousand dollars, in which event an amount not to exceed twenty per centum of such capital stock and surplus may be loaned without security, and where such capital stock and surplus is greater than twenty-five thousand dollars and does not exceed fifty thousand dollars, a sum not exceeding five thousand dollars may be loaned without security. Nothing

herein shall prohibit any commercial bank from taking or receiving any kind, character or amount of security whatsoever, either real or personal, for the protection of any loan made under the provisions of this subdivision, but no such loan or any part thereof shall be considered or construed as a secured loan unless the whole thereof is loaned upon security worth at least fifteen per centum more than the amount of such loan; or,

2. Fifteen per centum, in addition to the amount that may be loaned under the provisions of subdivision one of this section, upon security worth at least fifteen per centum more than the amount of such loan so secured; *provided, however*, that a separate note or notes shall be taken for the unsecured loans and a separate note or notes shall be taken for the secured loans, and the secured and unsecured loans shall not be combined in any way within one note, or notes; or,

3. Twenty-five per centum upon security worth at least fifteen per centum more than the amount of its loans so secured; *provided, however*, that when secured loans to this amount or any amount in excess of fifteen per centum are made, then no unsecured loans shall be permitted in addition to such secured loans.

A commercial bank may buy from, or discount for, any person, firm, co-partnership or corporation, or loan upon bills of lading or bills of exchange drawn in good faith against actual existing value an amount not exceeding seventy-five per centum of the paid up capital and surplus of such bank; and may also buy from or discount for any person, firm, co-partnership or corporation, commercial or business paper actually owned by the person, firm, co-partnership or corporation negotiating the same, an amount not exceeding twenty-five per centum of the paid up capital and surplus of such bank; but the discount of bills of lading or bills of exchange drawn in good faith against actual existing value, and the discount of commercial or business paper actually owned by the person, firm, co-partnership or corporation negotiating the same, shall not be considered as money borrowed by the person, firm, co-partnership or corporation selling or discounting the same.

Loans—continued

Any security may be taken for such loans

When not construed as secured loan

(2) 15% (in addition to amount loaned under subdivision 1) upon security exceeding loan by 15%

Separate notes for secured and unsecured loans

(3) 25% upon security exceeding loan by 15% (note proviso)

Commercial bank may purchase or loan on Bills of Lading, etc.

May purchase or discount commercial paper, etc.

Such discount not considered money borrowed

Loans—continued

Loans upon corporate
securities forbidden
under conditions
specified

SEC. 81. No loan shall be made by any commercial bank upon the securities of one or more corporations, the payment of which is undertaken, in whole or in part, severally, but not jointly, by two or more individuals, firms, or corporations:

(a) If the borrowers or underwriters be obligated absolutely or contingently to purchase the securities, or any of them, collateral to such loan, unless the borrowers or underwriters shall have paid on account of the purchase of such securities an amount in cash, or its equivalent, equal to at least twenty-five per centum of the several amounts for which they remain obligated in completing the purchase of such securities;

(b) If the commercial bank making such loan be liable, directly or indirectly, or contingently, for the repayment of such loan or any part thereof;

(c) If its term, including any renewal thereof by agreement, express or implied, exceed the period of one year;

(d) Or to an amount under any circumstances in excess of twenty-five per centum of the capital and surplus of the commercial bank making such loan.

Paid up capital
requirements:

SEC. 82. Every commercial bank hereafter organized must have paid up in cash a capital stock of not less than,

Population not over
5,000, \$25,000

(a) Twenty-five thousand dollars if its principal place of business is located in any locality the population of which does not exceed five thousand persons;

5,000 to 25,000
population, \$50,000

(b) Fifty thousand dollars if its principal place of business is located in any city the population of which is more than five thousand persons but does not exceed twenty-five thousand persons;

25,000 to 100,000
population, \$100,000

(c) One hundred thousand dollars if its principal place of business is located in any city the population of which is more than twenty-five thousand persons but does not exceed one hundred thousand persons;

100,000 to 200,000
population, \$200,000

(d) Two hundred thousand dollars if its principal place of business is located in any city the population of which is more than one hundred thousand persons but does not exceed two hundred thousand persons;

(e) Three hundred thousand dollars if its principal place of business is located in any city the population of which is more than two hundred thousand persons.

Population exceeding 200,000,—\$300,000

The foregoing classification shall not apply to any commercial bank already in existence which has received its certificate to do a banking business from the superintendent of banks; nor to any bank the location of which shall have been included by annexation or consolidation within the limits of a city of a class requiring a larger capitalization, but no bank thus excepted shall be permitted to establish any new branch office as provided in section nine of this act or to remove its place of business from the original limits of the city or township wherein it was located prior to such annexation or consolidation until it shall have the capital required of banks in such city not within said exception. Such excepted banks may not in any case decrease their capital stock but may increase the same in the manner provided by law to an amount either greater or less than that required of banks in such city not within said exception; *provided*, that nothing herein shall be construed to affect the provisions of section nineteen of this act relative to the proportion of capital and surplus to deposits or of section twenty-three of this act relative to the capital stock required of banks doing a departmental business. The provisions of section twenty-three of this act, as to population, shall apply to any bank organized under the provisions of this section.

Foregoing classification not retrospective nor applicable to banks included by annexation in larger city

Restrictions as to excepted banks

Sec. 19 and Sec. 23 not affected by Sec. 82

How population is determined

SEC. 83. No loan shall be made, directly or indirectly, to any officer of any commercial bank by such bank, or on the endorsement, surety, or guaranty of any such officer, except as hereinafter provided in this section. Loans to any director, agent, or other employee, or to any firm, co-partnership or corporation of which any director, officer, agent or other employee is a member, stockholder, director, agent or other employee, or to any person, firm, co-partnership or corporation on the endorsement, surety, or guaranty of any such director other than an officer, agent or other employee, can be made by any commercial bank only on authorization of, or confirmation within thirty days after mak-

Commercial bank not to loan to its officers—but may loan to director, etc. (or to firm, etc., with which director, etc., is connected as specified), or may loan on endorsement, etc., of director (not officer) etc.,—in manner specified

Loans—continued ing such loan, by a majority of all the directors of such bank and the affirmative vote of all directors of such bank present at the meeting authorizing or confirming such loan. Such interested

Interested director
not to act on loan director shall not vote or participate in any manner in the action of the board on such loan. The board of directors of

Credit of director,
etc., (or firm, etc.,
in which director,
officer, etc., is in-
terested), to be fixed
for one year by
directors any such bank may fix the total amount of credit that may at any one time during the twelve months next succeeding be given to any director, agent, or other employee, or to any firm, co-partnership or corporation in which any director, officer, agent, or other employee is a member, stockholder, director, agent or other employee, and any or all loans made within or up to the total amount of such authorized credit may at any time during said twelve months, be renewed from time to time, in whole or in part, by the officers of the bank without any further vote or action on the part of the board of directors. Each such authorization shall be entered upon the records or minutes of said bank. No director shall vote or participate in any manner in such action of the board fixing the total amount of credit that may at any one time be given to himself or to any firm, co-partnership or corporation in which he is a member, stockholder, director, agent or other employee.

Facts concerning
such loan to be re-
ported to Supt. The fact of making such loan, the names of the directors authorizing such loan, the name of the director, agent, or employee, obtaining such loan, or the name of the firm, co-partnership or corporation in which such director, officer, agent, or employee is interested, obtaining such loan, the amount of such loan, the rate of interest thereon, the time when the loan will become due, the amount, character and value of security given therefor, if any, and the fact of payment when made, shall be forthwith reported in writing by the cashier or secretary of such bank to the superintendent of banks. In case of a loan so made without the previous authorization of the directors, the action of the board of directors, in confirming or refusing to confirm such loan within thirty days thereafter, shall be reported in the same manner. Any officer, director, agent, or employee of a commercial bank, who knowingly procures a loan from such commercial bank contrary to the provisions of this section,

Violation made felony

shall be guilty of a felony. In case of the neglect or failure of the secretary or cashier of any such bank, to report to the superintendent of banks, as herein provided, any of the facts so required to be reported, the bank shall be liable therefor and shall forfeit to the people of the State of California twenty-five dollars per day for each day, or part thereof, during which such neglect or failure continues.

Penalty for failure to report

SEC. 84. No commercial bank shall invest an amount exceeding its paid up capital and surplus in the lot and building in which the business of the bank is carried on, furniture and fixtures, vaults and safe deposit vaults and boxes necessary or proper to carry on its banking business; and hereafter the authority of a two-thirds vote of all the directors shall be necessary to authorize the purchase of such lot and building or the construction of such building.

Limited investment permitted in bank premises, etc.

ARTICLE IV.

TRUST COMPANIES.

SEC. 90. Any corporation which has been or shall be incorporated under the general corporation laws of this state, which is authorized by its articles of incorporation to act as executor, administrator, guardian of estates, assignee, receiver, depository or trustee, under appointment of any court or by authority of any law of this state, or as trustee for any purpose permitted by law, which has its principal place of business in a city in which the population does not exceed one hundred thousand persons and which has a capital of not less than one hundred thousand dollars actually paid in, in cash, assigned to or available for the purpose of conducting business in any such capacity, or trust business of any character permitted by law, and which has made with the state treasurer the deposit of money or securities of the character and in the amount required by the terms of section ninety-six of this act, and which has received from the superintendent of banks the certificate of authority required by the terms of section one hundred and twenty-seven of this act, to transact such business, and any corporation which has been or shall be incorpo-

What constitutes a trust company

Powers conferred on
trust company

rated under the general corporation laws of this state, which is authorized by its articles of incorporation to act as executor, administrator, guardian of estates, assignee, receiver, deposi-
tary or trustee, under appointment of any court or by author-
ity of any law of this state, or as trustee for any purpose per-
mitted by law, which has its principal place of business in a
city in which the population exceeds one hundred thousand
persons and which has a capital of at least two hundred thou-
sand dollars actually paid in, in cash, assigned to or available
for the purpose of conducting business in any such capacity,
or trust business of any character permitted by law, and which
has made with the state treasurer the deposit of money or
securities of the character and in the amount required by the
terms of section ninety-six of this act, and which has received
from the superintendent of banks the certificate of authority
required by the terms of section one hundred twenty-seven
of this act, to transact such business, may act, or may be
appointed by any court to act, in any such capacity in like
manner as an individual and when so qualified shall be known
as a trust company. Any such trust company may, as pro-
vided in this act, accept or receive any deposit of money or
personal property authorized, directed or permitted to be made
with any such corporation by any court or law of this state,
and may accept and execute any trust provided for in this
act, or permitted by any law of this state, to be taken, accepted
or executed by an individual. Any such trust company, if
located in a city the population of which does not exceed one
hundred thousand persons must segregate that portion of its
capital and surplus assigned to or available for its trust busi-
ness and must apportion and set aside at least fifty thousand
dollars of such paid-up capital as security for the faithful
performance and execution of all private trusts accepted by it
and must also apportion and set aside at least fifty thousand dol-
lars of such paid-up capital as security for the faithful per-
formance and execution of all court trusts accepted by it and
whenever such trust company shall, under the provisions of
sections 96 and 98 of this act, be required to make the first
additional deposit of securities with the state treasurer, such
trust company must also apportion and set aside an additional

Trust company shall
apportion capital and
surplus as security
for performance of
Private trusts and
Public trusts,
respectively

Apportionment in
city of less than
100,000 population

fifty thousand dollars of paid-up capital as security for the faithful performance and execution of all private trusts accepted by it and must also apportion and set aside an additional fifty thousand dollars of paid-up capital as security for the faithful performance and execution of all court trusts accepted by it, and any trust company, if located in a city, the population of which exceeds one hundred thousand persons, must segregate that portion of its capital and surplus assigned to or available for its trust business and must apportion and set aside at least one hundred thousand dollars of such paid-up capital as security for the faithful performance and execution of all private trusts accepted by it and must also apportion and set aside at least one hundred thousand dollars of such paid-up capital as security for the faithful performance and execution of all court trusts accepted by it; *provided*, that no such trust company shall at any time be required to apportion and set aside any portion of its surplus as security for the faithful performance of such private trusts, nor shall it be prohibited from so doing; *and provided, further*, that the respective amounts of capital or capital and surplus so apportioned and set aside shall be treated in all respects as the separate capital or capital and surplus of each respective kind or class of business, as though the same were conducted by separate and distinct corporations, and each shall be kept, held, used and disposed of wholly for the exclusive benefit, protection and security of the respective classes of trust business to which the same were respectively so apportioned and set aside. In all cases in which it is required that an executor, administrator, guardian of estates, assignee, receiver, depository or trustee, shall qualify by taking and subscribing an oath, or in which an affidavit is required, it shall be a sufficient qualification by such corporation if such oath be taken and subscribed or such affidavit made by the president, vice-president, secretary, manager, trust officer, assistant trust officer or regularly employed attorney thereof, and such officer or employee shall be liable for the failure of such trust company to perform any of the duties required by law to be performed by an individual acting in like capacity and subject to like penalties; *provided*, any such appointment as guardian shall apply

Similar apportionment of capital and surplus in city of population exceeding 100,000
Provisos relating to apportionment

What officers authorized to make oath or affidavit

Liability of such officers for failure of trust company to perform duties

Trust company
guardian of estate—
not of person

Foreign corporation
forbidden to act as
trustee in this state
under corporate
mortgage, etc.

Foreign corporation
authorized for speci-
fied purposes to act
outside of state as
co-trustee with quali-
fied domestic com-
pany as to bond
secured by mortgage,
etc., of property in
this state

Court may authorize
trustee or other
fiduciary to deposit
trust fund with trust
company, subject to
court order

to the estate only, and not to the person. No foreign corpora-
tion shall have or exercise in this state the power to act as
trustee under any mortgage, deed of trust, or other instrument
securing notes or bonds issued by any corporation, excepting
that a foreign corporation may be authorized to act, outside of
the State of California, as co-trustee with any qualified trust
company organized and doing business under the laws of this
state, for the following purposes with reference to bonds se-
cured by mortgage or deed of trust of property in this state,
and none other:

(1) To deliver bonds, and receive payment therefor.

(2) To deliver permanent bonds in exchange for tempo-
rary bonds of the same issue.

(3) To deliver refunding bonds in exchange for those of a
prior issue or issues.

(4) To register bonds, or to exchange registered bonds
for coupon bonds, or coupon bonds for registered bonds.

(5) To pay interest on such bonds, and to take up and
cancel coupons representing such interest payments.

(6) To redeem and cancel bonds when called for redemp-
tion, or to pay and cancel bonds when due.

(7) The certification of registered bonds for the purpose
of exchanging registered bonds for coupon bonds.

SEC. 91. Any court having jurisdiction of any executor,
administrator, guardian, assignee, receiver, depository or
trustee, upon the application of any such officer or trustee, or
upon the application of any person having an interest in the
estate or property administered by such officer or trustee,
after such notice to the other parties in interest as the court
may direct, and after a hearing upon such application, may
authorize such officer or trustee to deposit any moneys then in
his hands, or which may come into his hands thereafter, until
the further order of said court, with any such trust company,
and upon deposit of such money, and its receipt and accept-
ance by such trust company, the said officer or trustee shall
be discharged from further care or responsibility therefor.
Such deposit shall be paid out only upon the order of said
court.

SEC. 92. Any public administrator may deposit any or all moneys of any estate upon which he is administering, not required for the current expenses of such administration, with any such trust company having its principal place of business in the county, or city and county in which he is acting as such administrator. Any court having jurisdiction of an estate being administered by a public administrator, may direct such administrator to deposit all or any part of the moneys of said estate with any such trust company. Such deposit shall relieve the public administrator from depositing with the county treasurer the moneys so deposited with such trust company. Moneys so deposited by a public administrator may be drawn, upon the order of such administrator, countersigned by a judge of the superior court, when required for the purposes of administration, or otherwise.

Public administrator may deposit as state funds with trust company

Court may direct such deposit

How deposit may be withdrawn

SEC. 93. Any court having jurisdiction of any estate in process of administration, or any other proceeding, may, on application of any person interested therein, or the person who has been selected by said court, or a judge thereof as executor, administrator, guardian, assignee, receiver, depositary or trustee, after such notice to the parties in interest as the court shall direct, or without notice if all parties in interest consent thereto, and a hearing on such application, order any executor, administrator, guardian, assignee, receiver, depositary or trustee so selected or appointed, whether such person has duly qualified or not to deposit with any such trust company, for safe-keeping, such portion or all of the personal assets of said estate as the court shall deem proper, and upon such deposit being made, the court shall by an order of record reduce the bond to be given or theretofore given by such officer or trustee, so as to cover only the estate remaining in the hands of said officer or trustee; and the property so deposited shall thereupon be held by such trust company, under the order and direction of said court.

Court may under specified conditions order executor, trustee, etc., to deposit trust funds, etc., with trust company

Effect of such deposit

SEC. 94. Such trust company shall not be required to give any bond or security in case of any appointment or deposit of moneys or other personal assets hereinbefore provided for, except as provided in this act, but shall be responsible

Trust company not required to give bond.

Trust company responsible for investments

for all investments which shall be made by it of the funds which may be entrusted to it for investment by such court, and shall be liable to the same extent as an individual, and as hereinafter provided.

Trust company to pay interest on trust deposits

SEC. 95. Such trust company shall pay interest upon all moneys so deposited with it at such rate as may be agreed upon at the time of its acceptance of any such deposit, or as shall be provided by the order of court and agreed to by such trust company.

Trust company to make deposits with state treasurer to secure performance of its court trusts and private trusts

SEC. 96. Any such trust company, if its principal place of business is situated in a city the population of which does not exceed one hundred thousand persons, before accepting any such appointment or deposit, shall deposit with the state treasurer, as herein provided, at least fifty thousand dollars as security for the faithful performance and execution of all court trusts accepted by it, and shall also deposit with the state treasurer at least fifty thousand dollars as security for the faithful performance and execution of all private trusts accepted by it; and whenever any such trust company shall under the provisions of section 98 of this act be required to make the first additional deposit of securities with the state treasurer such trust company must also deposit with the state treasurer an additional fifty thousand dollars as security for the faithful performance and execution of all private trusts accepted by it; and any trust company if its principal place of business is situated in a city the population of which exceeds one hundred thousand persons, before accepting any such appointment or deposit, shall deposit with the state treasurer, as herein provided at least one hundred thousand dollars, as security for the faithful performance and execution of all court trusts accepted by it, and shall also deposit with the state treasurer at least one hundred thousand dollars as security for the faithful performance and execution of all private trusts accepted by it. Any such deposit may be made either in lawful money of the United States, or in securities of either or any of the following classes:

(See Sec. 98 for provisions re. additional deposit)

Deposit to consist of money or specified classes of securities

(a) Bonds issued by the United States or by this state or by any county, city and county, city or school district therein;

(b) Bonds for the payment of which the faith and credit of the United States or of this state are pledged;

Deposits with state treasurer—cont'd.

(c) Notes or bonds secured by mortgage or deed of trust constituting a first lien on improved and productive real estate in the State of California; such improved real estate being worth at least double the amount of such lien.

Such money or securities shall be first approved by the superintendent of banks and, upon his written order, deposited with the state treasurer for the respective purposes herein specified, and said treasurer shall give his receipt therefor, and thereafter, subject to the provisions of this act, shall hold such deposits of money or securities separately, each for the sole benefit of the beneficiaries of the class of trust business, for the security and protection of which the same was deposited, and said treasurer shall give his receipt therefor and the state shall be responsible for the custody and safe return of any money or securities so deposited. Said securities or money so deposited may, with the approval of the superintendent of banks, be withdrawn or exchanged from time to time for other like securities, or lawful money, receivable as aforesaid, and so long as the trust company so depositing said money or securities shall continue solvent, it shall have the right and shall be permitted by the state treasurer to receive the interest and dividends on any securities so deposited. Said securities and money shall be subject to sale and transfer, and to the disposal of the proceeds by said state treasurer, only on the order of a court of competent jurisdiction and for the benefit respectively of the beneficiaries of that class of trust business for the security and protection of which the same were deposited.

Deposit to be approved by Supt.

State responsible for deposit

Securities may be exchanged

Trust company shall receive interest and dividends on securities deposited

Deposit subject to sale, etc., on order of court, etc.

SEC. 97. Any such trust company, having a capital and surplus of two hundred thousand dollars or more apportioned and set aside as security for the faithful performance and execution of all court trusts accepted by it, as provided in this act, and which is wholly or in part invested in the lot and building in which its business is carried on, may be permitted by the superintendent of banks to mortgage such lot and building to the state treasurer for such sum, up to its full

Trust company with consent of Supt. may mortgage its premises to state treasurer as part of deposit

Deposits with state
treasurer—cont'd.

market value, as the superintendent of banks may determine, and such mortgage may be deposited with said treasurer, and when so deposited it shall be included in the amount of securities herein required to be deposited with said treasurer as security for the faithful performance of all such court trusts.

Trust company to
notify Supt. and
deposit additional
security with state
treasurer when funds
received by it from
court trusts exceed
specified amounts

SEC. 98. Whenever any trust company, the principal place of business of which is located in a city the population of which does not exceed one hundred thousand persons, receives from court trusts accepted by it, trust funds, as herein defined, to the amount of five hundred thousand dollars, it shall forthwith notify in writing the superintendent of banks of such fact, and within thirty days thereafter shall deposit with the state treasurer additional money or securities of the character mentioned and defined in section ninety-six of this act, approved as therein provided, in the amount of fifty thousand dollars; and whenever any trust company receives from court trusts such funds to the amount of one million dollars it shall further notify in writing the superintendent of banks of such fact and within thirty days thereafter shall deposit with the state treasurer additional money or securities of the character mentioned and defined in section ninety-six of this act, approved as therein provided, in the amount of fifty thousand dollars; and for each additional five hundred thousand dollars of such trust funds thereafter received by any trust company from court trusts a similar notification in writing shall forthwith be given to the superintendent of banks, and a further deposit in the amount of twenty-five thousand dollars of such money or securities, or of securities provided for in section ninety-seven of this act likewise approved, shall be made, within thirty days thereafter, by such trust company with said state treasurer. The treasurer shall give his receipt for any money or securities so deposited and each and all of said deposits of money or securities, shall be held by said state treasurer for the sole benefit of the beneficiaries of the class of business for the security and protection of which same were deposited. The state shall be responsible for the custody and safe return of any money or securities so deposited with said state treasurer. The term "trust funds" when used in this section shall be deemed to mean

Custody and dispo-
sition of such deposits

"Trust funds" defined

and shall mean personal property and cash, whether received with the original trust property or as rent, income or proceeds thereof, or otherwise, in connection with the trust, and shall not be deemed to include and shall not include real property.

Deposits with state treasurer—cont'd.

Any trust company failing to comply with the provisions of this section shall forfeit to the State of California one hundred dollars a day for each day during which such failure or default shall continue. Upon making a request in writing to the superintendent of banks, any such trust company shall be entitled to withdraw from the state treasurer, from time to time, a sufficient amount of such securities so that at all times the amount of such securities so deposited shall conform to the requirements of this act, and so that at no time shall such trust company be required to have on deposit with the state treasurer an amount of securities in excess of the requirements of this act. Upon receiving such request in writing, and satisfactory proof of the facts warranting such withdrawal, it shall be the duty of the superintendent of banks to forthwith deliver to the state treasurer a written order directing the withdrawal of said securities so as to conform with the provisions of this section, and it shall be the duty of the state treasurer to comply with such written order. The validity or legality of any act or proceeding done or taken by any such trust company, relating to or in connection with the administration of any such trusts, shall not be affected or impaired by the neglect or failure of such trust company, or of any officer or employee thereof, to comply with any of the provisions of this act, but all such acts and proceedings done or taken prior to the revocation of its certificate of authority to do such business by the superintendent of banks, under the provisions of this act, or the revocation by any court or judge thereof of the appointment, order or decree theretofore entered in such trust matter shall be as valid and effective for all purposes as if any such neglect or failure had not occurred.

Penalty for non-compliance with section

Trust company may withdraw amount of security deposited in excess of requirements of act

Procedure for withdrawal

Legality of trust company's acts in executing its trusts not affected by its neglect or failure to comply with bank act

SEC. 99. When any part of the securities so deposited with the state treasurer consists of notes or bonds secured by mortgage or deed of trust, it shall be accompanied by a complete abstract of title or an unlimited certificate of title

When part of deposit consists of notes or bonds secured by mortgage, etc., same to be accompanied by abstract of title, etc.

Abstracts to be
examined and ap-
proved under direc-
tion of Supt.

Fees therefor

or a policy of title insurance prepared or issued by a person, company or corporation designated or approved by the superintendent of banks and authorized by law or otherwise found by the superintendent of banks to be competent to issue such evidence of title, which shall be examined and approved by or under the direction of said superintendent of banks. The fees for an examination of such evidence of title by counsel to be paid by the trust company making the deposit shall not exceed twenty dollars for each title examined, and the fee for each appraiser, not exceeding two, shall not exceed five dollars for each mortgage or deed of trust.

(SEC. 100. Repealed 1913.)

Classification of
trusts

SEC. 101. For the purposes of this act, all trusts permitted to be accepted or executed by any such trust company, under any provision of this act are hereby classified and defined as either:

- (a) Court trusts; or
- (b) Private trusts.

"Court trust" defined

A court trust is one in which any such trust company acts under appointment, order or decree of any court, as executor, administrator, guardian, assignee, receiver, depository or trustee, or in which it receives on deposit from a public administrator, under any provision of this act, or from any executor, administrator, guardian, assignee, receiver, depository or trustee, under any order or decree of any court, money or property.

"Private trust"
defined

Any other trust is a private trust.

Inspection and
supervision by Supt.
covers court trusts
only

The inspection and supervision of the superintendent of banks shall extend only to court trusts as herein defined. Private trusts shall not be subject to the inspection or supervision of the superintendent of banks, his attorneys, examiners or other assistants.

Report to Supt.
as to court trusts

In making the reports to the superintendent of banks required by this act, every trust company shall, in addition to the other facts to be reported by it, furnish only a list and brief description of the court trusts held by it, the source of appointment thereto, the authority by which the appointment or deposit was made, and the amount of real

or personal property held by such trust company by virtue thereof.

SEC. 102. Any corporation which desires to withdraw from and discontinue doing a trust business shall furnish to the superintendent of banks satisfactory evidence of its release and discharge from all the obligations and trusts hereinbefore provided for, and thereupon the superintendent of banks shall revoke his certificate of authority to do a trust business theretofore issued to such corporation, and the state treasurer shall return to said corporation all the securities deposited by such corporation and shall cancel any mortgage made by such corporation to said state treasurer as a part of such securities, and thereafter such corporation shall not be permitted to use and shall not use the word "trust" in its corporate name or in connection with its business.

Corporation may
discontinue trust
business
Procedure

SEC. 103. Any trust company exercising the powers and performing the duties provided for in this act, shall, except as herein otherwise provided, keep inviolate all communications and writings made to or by said trustee touching the existence, condition, management and administration of any private trust confided to it; and no creditor or stockholder of any such trust company shall be entitled to disclosure or knowledge of any such communication or writing; *provided, however*, that the president, vice-president, manager, trust officer, secretary or regularly employed attorney of any such trust company shall be entitled to knowledge of any such communication or writing; *and provided further*, that in any suit or proceeding touching the existence, condition, management or administration of any such trust, the court wherein the same is pending may require disclosure of any such communication or writing.

Private trusts
confidential

Who entitled to
knowledge

(SEC. 104. Repealed 1913.)

SEC. 105. Every trust company shall, except as otherwise provided by law, invest its capital and surplus and any trust funds received by it in connection with its trust business, in accordance with the laws relative to the investment or loan of funds deposited with savings banks, unless

Investment of capital,
surplus and trust
funds by trust
company

a specific agreement to the contrary is made between the trust company and the party creating the trust, or unless it is otherwise ordered by the court, in connection with any court trust.

Trust company to do departmental business must have capital specified by Sec. 23

SEC. 106. Any such trust company desiring to do, or doing, a commercial banking business or a savings bank business, or both, in addition to its trust business shall have actually paid up, in cash, the amount of capital provided in section twenty-three of this act.

Title Insurance company authorized to do, or doing, trust business, shall comply with specified requirements

Any title insurance company authorized by its articles of incorporation to do, or doing a trust business, in addition to its title insurance business, shall comply with all the requirements of any law governing trust companies, and shall have a capital stock actually paid in, in cash, of not less than two hundred thousand dollars, and in addition thereto, the capital stock required by law for doing a title insurance business. Such capital for each such department or class of business shall be increased from time to time in the same manner and to the same extent as though each such department or class of business was conducted by a separate bank, trust company or title insurance company, instead of as separate departments or classes of business. Any trust company and any title insurance company doing a departmental business as above provided shall comply with the provisions of this act governing each of such departments and with the provisions of any law governing each such class of business as to its deposits, reserve, surplus, investments and loans.

Trust and Title Insurance company doing departmental business

Further provisions affecting such corporation

SEC. 107. Any corporation doing a departmental business as a title insurance company and as a trust company, shall, as to its trust department, be subject to the supervision and inspection of the superintendent of banks, and as to its trust department must make all reports to the superintendent of banks required to be made by trust companies by the provisions of this act, and as to its trust department such corporation shall also be subject to, and shall have the benefit of all other provisions and requirements of this act applicable to trust companies, and shall also be subject to and shall have

the benefit of all of the banking laws and rules and regulations of the banking department of this state applicable to trust companies. The proportionate part of the state banking fund provided for by section one hundred twenty-three of this act, that shall be payable by such corporation, shall be based on the amount of capital and surplus of such corporation apportioned to its trust department.

Proportionate part
of state banking
fund

ARTICLE V.

STATE BANKING DEPARTMENT.

SEC. 120. There is hereby created a state banking department. The chief officer of such department shall be the superintendent thereof, and be known as the superintendent of banks. He shall be appointed by the governor, and shall hold office at the pleasure of the governor. He shall not, either directly or indirectly, be interested in any commercial bank, savings bank or trust company, or as an individual banker. He shall receive an annual salary of ten thousand dollars, to be paid monthly out of the state treasury on a warrant of the controller. He shall, within fifteen days from the time of notice of his appointment, take and subscribe to the constitutional oath of office, and file the same in the office of the secretary of state, and execute to the people of the state a bond in the penal sum of fifty thousand dollars, with corporate surety or two or more sureties to be approved by the governor of the state, conditioned for the faithful discharge of the duties of his office.

State Banking De-
partment created.
Superintendent's
appointment, tenure,
salary, oath and
bond

SEC. 121. The superintendent of banks shall employ a chief deputy, attorney and such examiners and other assistants as he may need to discharge in a proper manner the duties imposed upon him by law, none of which examiners or assistants or attorney shall be interested in any bank in this state as director, stockholder, officer or employee, and they shall perform such duties as he shall assign to them. He shall fix the compensation of the chief deputy, attorney, examiners and other assistants, which compensation shall be paid monthly on

Superintendent to
employ assistants:
their qualifications,
duties and com-
pensation

Oath and qualifications of chief deputy

During absence or inability of Superintendent, chief deputy to act, upon giving bond

Superintendent, chief deputy or examiner not to be obligated to any bank

Offices of Superintendent in San Francisco and Los Angeles

Expenses to be paid from state banking fund

his certificate and on the warrant of the controller out of the state treasury. The chief deputy shall within fifteen days from the time of his appointment take and subscribe to the constitutional oath of office and file the same in the office of the secretary of state. No person shall be appointed a chief deputy who has not had at least three years' active banking experience, either as an executive officer or employee of some bank in this state. In case of the absence or inability to act, or vacancy in the office of the superintendent of banks for thirty consecutive days, the chief deputy shall execute to the people of the state a bond in the penal sum of fifty thousand dollars, with corporate surety or two sureties to be approved by the controller and treasurer of the state, conditioned for the faithful discharge of the duties of the superintendent while such deputy acts as superintendent, and upon filing such bond such deputy shall have all the power and duties of superintendent of banks, until the inability of the superintendent shall be removed, or until a new superintendent of banks shall have been appointed by the governor. No superintendent of banks, chief deputy, or bank examiner, shall be or shall become indebted, directly or indirectly, either as borrower, endorser, surety, or guarantor, to any bank under his supervision or subject to his examination.

SEC. 122. The superintendent of banks shall have his principal office in the city of San Francisco, and may also have suitable rooms in the city of Los Angeles, wherein to conduct the business of the state banking department. The superintendent shall, from time to time, obtain the necessary furniture, stationery, fuel, lights, and other proper conveniences for the transaction of such business; the expense of which shall be paid out of the state treasury on the certificate of the superintendent and the warrant of the controller.

SEC. 123. A fund is hereby created to be known as the state banking fund, and out of said fund shall be paid all the expenses incurred in and about the conduct of the business of the banking department, including the salary of the superintendent, chief deputy, attorney, examiners and other assistants, traveling expenses, furnishing of rooms and rent. Each bank

shall pay annually its share of eighty-seven thousand five hundred dollars, to be determined by the proportion which the capital and surplus which shall include all reserve and contingent funds, of any incorporated bank or the surplus, reserve and contingent funds of any bank organized without a capital stock bear to the capital, surplus, reserve and contingent funds in the aggregate of all such banks receiving certificates of authorization from the superintendent of banks, as shown by the last report of such bank to the superintendent of banks. All moneys collected or received by the superintendent of banks, under and by virtue of the provisions of this act, shall be by him delivered to the treasurer of the state, who shall deposit the same to the credit of said banking fund, and the unexpended balances of all moneys heretofore paid into the state treasury by any of the bank commissioners or the superintendent of banks, shall be retained and become a part of said fund; *provided, however*, that the superintendent shall have authority to retain in his possession and under his control the sum of five hundred dollars to be used by him as a revolving fund for the benefit of the state banking department until the end of the fiscal year at which time he shall make full settlement with the treasurer of the state. If any such bank shall fail to pay such charges as are herein required, the superintendent shall forthwith cancel the certificate of said bank.

Banks to pay expenses of state banking department, pro-rated according to capital and surplus

Control and disposition of state banking fund

Penalty for non-payment by bank of pro-rata of expense

SEC. 124. Every bank and the trust department of every title insurance company doing a trust business, shall be subject to the inspection of the superintendent of banks. The superintendent of banks, the chief deputy, or some competent person or persons to be appointed by the superintendent of banks, to be known as examiners, shall visit and examine every bank at least once each fiscal year. On every such examination inquiries shall be made by him as to the condition and resources of the bank, the mode of conducting and managing its affairs, the action of its directors, the investment and disposition of its funds, the safety and prudence of its management, the security afforded to those by whom its engagements are held and whether the requirements of its articles of incorporation and the law have been complied with in the administration of

Every bank to be examined at least once a year

What examination shall cover

**Examinations
—continued**

Superintendent
may make extra
examinations at
bank's expense

Superintendent
may examine
California agency
of foreign bank

Supt. may admin-
ister oath and com-
pel attendance
of witnesses

Examiner shall
report doubtful
securities to Supt.

Supt. may have
such doubtful
securities appraised
at bank's expense

Supt. shall provide
auditor at bank's
expense when
bank requests

Supt. not to exam-
ine private trust
or title insurance
business

Oath of examiners

its affairs, and as to such other matters as the superintendent may prescribe. Whenever, in the judgment of the superintendent of banks, the condition of any bank renders it necessary or expedient to make an extra examination or to devote any extraordinary attention to its affairs the superintendent of banks shall have authority to make any and all necessary extra examinations and to devote any necessary extra attention to the conduct of its affairs; and such bank shall pay for all such extra services rendered by the superintendent of banks at a price to be fixed by the superintendent of banks but not to exceed twenty dollars per day. The superintendent of banks shall also have power to examine, or cause to be examined, every agency located in this state of any foreign bank or banking corporation, for the purpose of ascertaining whether it has complied with the laws of this state, and for such other purposes and as to such other matters as the superintendent may prescribe. The superintendent, chief deputy, and every such examiner shall have the power to administer an oath to any person whose testimony he may require on the examination of any bank, or on the examination of any agency of any foreign bank or banking corporation, and to compel appearance and attendance of any such person for the purpose of any such examination. When a bank shall have been examined by any examiner, and he finds securities therein which are, in his judgment, of doubtful value, he shall report the same to the superintendent of banks, who thereupon shall be authorized to employ appraisers at the expense of such bank to appraise said securities, at a compensation to be fixed by the superintendent of banks. The superintendent of banks shall, whenever requested to do so by any bank, provide an auditor to make an audit of the affairs of such bank. The compensation for making such audit shall be paid by the bank direct to the person making the audit. Nothing herein shall be deemed to authorize or require the superintendent of banks to inspect or supervise the private trust business or title insurance business of any corporation doing a trust business.

SEC. 125. Every examiner appointed by the superintendent of banks shall, before entering upon the discharge of his duties,

take the constitutional oath of office and cause the same to be filed in the office of the secretary of state. No such examiner shall be appointed receiver of any bank whose books, papers and affairs he shall have examined pursuant to his appointment.

No examiner to be appointed receiver of bank examined by him

SEC. 126. If the chief deputy or any examiner shall have knowledge of the insolvency or unsafe condition of any bank mentioned in this act, and that it is unsafe or inexpedient to permit said bank to continue business, and shall neglect to forthwith report such fact in writing over his signature to the superintendent of banks, he shall be guilty of felony.

Neglect of chief deputy or examiner to report known unsafe conditions made felony

SEC. 127. No bank shall transact any business in this state without the written approval of the superintendent of banks, and without his written certificate stating that it has complied with the provisions of this act, and all the requirements of law, and that it is authorized to transact, within this state, the business specified therein; which certificate may be withheld by the superintendent of banks whenever he has reason to believe that the bank is being formed for any other than the legitimate objects contemplated by this act, or whenever he has reason to believe that the public convenience and advantage will not be promoted by the opening of such bank, or whenever he has reason to believe that the corporate name assumed by such bank, by reason of the use by it of any one or more of the words "commercial," "trust," or "savings," in conjunction with any other word or words, resembles so closely as to be likely to cause confusion, the name of any other bank previously formed under the laws of this state. Before issuing such certificate the superintendent of banks shall examine, or cause an examination to be made, in order to ascertain whether the requisite capital of such bank has been paid up in cash or the requisite reserve or surplus fund has been accumulated. The superintendent of banks shall not authorize such banks to commence business until it appears from such examination, or other evidence satisfactory to him, that the requisite capital has been, in good faith, subscribed and paid in, in cash, or that the requisite surplus or reserve fund has been

Bank must have certificate from Supt. before transacting business

Certificate may be withheld by Supt. under certain conditions

Certificate not to be issued before examination and showing of compliance with requirements as to capital and surplus

Fees payable accumulated or paid in, in cash, and until said bank shall have paid a fee of fifty dollars for each department to be operated by said bank.

When articles filed with Secretary of State and application made for certificate, Supt. to ascertain fitness of persons named as stockholders

SEC. 128. When the certified copy of articles of incorporation of any bank shall have been filed with the secretary of state, and application made for the issuance of a certificate to do business as a bank, the superintendent of banks, provided he has not withheld granting his certificate for any of the reasons set forth in section one hundred twenty-seven hereof, shall ascertain, from the best sources of information at his command, whether the character and general fitness of the persons named as stockholders are such as to command the confidence of the community in which such bank is proposed to be located, and, if so satisfied, he shall, within sixty days after such application has been made to him, issue, under his hand and official seal, the certificate of authorization required by this act. The superintendent of banks shall transmit a duplicate of such certificate of authorization to the county clerk of the county in which the principal place of business of such bank is located, and he shall file the same in his office. The superintendent of banks shall also file a duplicate of such certificate in his own office.

Duplicate of certificate of authorization to be filed with county clerk, etc.

Departmental bank must make and publish separate financial reports of each department

SEC. 129. Every bank doing a departmental business shall render to the superintendent of banks for each department conducted by it, a separate report showing in detail as required by section one hundred thirty of this act, the actual financial condition of such department and shall at the time of furnishing said report separately publish the statement for each department as provided in section one hundred thirty-two of this act.

Verified reports to be made by bank whenever required by Superintendent

SEC. 130. Every bank, organized under the laws of this state, shall, whenever required by the superintendent of banks, make a report in writing to him, verified by the oath of its president and its secretary or cashier, or two principal officers. Such reports shall show the actual financial condition of the bank making the report, at the close of any

past day designated by the superintendent, and shall specify the following:

Bank reports—
continued

1. The amount of its capital stock and the number of shares into which it is divided.

What such reports
must show

2. The names of the directors and the number of shares of stock held by each.

3. The total amount of capital actually paid in, in cash, and the total amount of surplus, reserve and any other funds.

4. The total amount due the depositors.

5. The total amount and character of any other liabilities it may have.

6. The amount at which the lot and building occupied by the bank for the transaction of its regular business stands debited on its books; also the market value of all other real estate held, whether acquired in settlement of loans or otherwise, the original cost to the bank, the date when acquired, the amount at which it stands debited on the bank books, in what counties situated, and in what name the title is vested, if not in the name of the bank itself.

7. The amount loaned on real estate, specifying the amount secured on real estate in each county separately; also specifying the name of the person in whose name the property is held in trust or as security, in case it is held in any name other than that of the bank and the instrument creating the security does not itself disclose the name of the bank.

8. The amount invested in bonds, designating the name and amount of each particular kind.

9. The amount loaned on stocks and bonds, designating each particular class and the amount thereof.

10. The amount of money loaned on other securities, with a particular designation of each class and the amount loaned on each.

11. The amount and kind of money on hand or deposited in any other bank or place, with the name of the place where deposited and the amount in each place.

12. Any other property held, or any amount of money loaned, deposited, invested or placed, not otherwise herein

Bank reports—
continued

What such reports
shall show—cont'd.

enumerated, and the place where situate and the value of said property, and the amount so loaned, deposited or placed.

13. The date on which examination of the bank was last made by its board of directors and the date on which report of such examination was filed, as required by section one hundred thirty-nine of this act.

14. The outstanding and unpaid amounts of any loans made by the bank, which under the provisions of either section sixty-five or eighty-three of this act are required to be reported to the superintendent of banks.

15. Any overdrafts and any loans, investments, acts or omissions violative of or not in conformity with any provision of this act which may be specifically called for.

California branch
of foreign bank to
render verified
report to Supt.
whenever required

Every foreign corporation transacting the business of banking in this state shall make the report herein required as far as such report may relate to the affairs of such corporation in this state, and every foreign corporation must particularly render the report required by subdivisions three, four, five, six, seven, eight, nine, ten, eleven, twelve, thirteen, fourteen, and fifteen of this section. Such report shall be made in writing and verified by the oath of one of its duly authorized officers or managers residing in this state. The oaths of the officers and the statements above required shall state that they and each of them have a personal knowledge of the matters therein contained, and that they believe every allegation, statement, matter, and thing therein contained is true. Any willful false statement in the premises shall be perjury and shall be punished as such.

Superintendent
may require any
bank to furnish
additional verified
report

SEC. 130a. In addition to the information obtained from the report required by the provisions of section one hundred thirty of this act, the superintendent of banks shall also have the power to require any bank to furnish a special report in writing, verified as required by section one hundred thirty of this act, whenever in his judgment such special report is necessary to inform him fully of the actual financial condition and affairs of such bank. Any wilful false statement in the premises shall be perjury and shall be punished as such.

Wilful false state-
ment in report
deemed perjury

SEC. 131. The superintendent of banks shall call for the reports specified by section one hundred thirty of this act at least three times each year. The "past day designated by the superintendent" of banks under the provisions of section one hundred thirty of this act shall be as nearly as possible the day designated by the comptroller of currency of the United States for reports of national banking associations.

Superintendent shall call for reports at least three times a year

"Past day," etc., to be as nearly as possible day designated for reports of national banks

SEC. 132. At the time of furnishing such report to the superintendent of banks, every bank shall also publish a condensed statement of its financial condition, at least once, in some newspaper of general circulation, published in the city or town where its principal place of business is located, and, if no paper is published in such town, then in some newspaper of general circulation in the county where its principal place of business is located. Such published statement shall show the total amount of loans, the total amount of overdrafts, the total amount invested in bonds and other securities, the total amount due from banks, the total amount of checks and other cash items, the total amount of cash on hand, capital paid in, surplus funds; undivided profits, less expenses and taxes paid; due to other banks and bankers, due to trust companies and savings banks; individual deposits subject to checks; demand certificates of deposit; time deposits; certified checks; cashier's checks outstanding; and such other items as will show the actual financial condition of the bank making the report.

Bank shall publish condensed statement of financial condition at time or furnishing above report

What published statement shall show

SEC. 133. Whenever it shall appear from the report of any bank, or the superintendent of banks shall have reason to believe that the capital of any bank is impaired or reduced below the amount required by law, it shall be the duty of the superintendent of banks and he shall have the power to examine said bank and ascertain the facts, and in case he finds such impairment or reduction of capital, he shall require such bank to make good the deficiency so appearing within sixty days after the date of such requisition. The directors of every such bank, upon which such requisition shall have been made, shall levy an assessment upon the stock thereof to repair such deficiency, and shall

In case Supt. finds impairment of capital, he shall require bank to make good the deficiency within 60 days

Directors of bank to levy assessment to repair such deficiency

cause notice of such requisition to be given to each stockholder of the bank and of the amount of the assessment which he must pay for the purpose of making good such deficiency, by a written or printed notice mailed to such stockholder at his last known address or served personally upon him. If any stockholder shall refuse or neglect to pay the assessment specified in such notice within thirty days from the date of mailing or serving such notice as aforesaid, the directors of such bank shall have the right to sell to the highest bidder at public auction the stock of such stockholder, after giving a previous notice of such sale for ten days in a newspaper of general circulation published in the county where the principal place of business of such bank is located, and a copy of such notice of sale shall also be served on the owner of such stock by being served personally on him or by mailing to his last known address ten days before the day fixed for such sale; or such stock may be sold at private sale and without such public notice; *provided, however,* that before making such private sale thereof an offer in writing shall first be obtained and a copy thereof served upon the owner of record of the stock sought to be sold, either personally or by mailing a copy of such offer to his last known address; and if, after service of such offer, such owner shall still refuse or neglect to pay such assessment within two weeks from the time of the service of such offer, the said directors may accept such offer and sell such stock to the person making such offer, or to any other person or persons making a larger offer than the amount named in the offer submitted to the stockholder; but such stock shall in no event be sold for a smaller sum than the valuation put on it by the superintendent of banks in his determination and requisition as to said assessment, nor for less than the amount of said assessment so called for and the expense of sale. Out of the avails of the stock so sold, the directors shall pay the amount of assessment levied thereon, and the necessary costs of sale, and the balance, if any, shall be paid to the person or persons whose stock has thus been sold. A sale of stock as herein provided shall effect an absolute cancellation of the outstanding certificate or certificates evi-

Stock assessments
to make good
impaired capital

Procedure for levy-
ing and collecting
assessment on
bank stock

Directors may sell
assessed stock at
private sale

Method of making
such private sale

Application of
proceeds of sale

Effects of sale
of assessed stock

dencing the stock so sold, and shall make the same null and void, and a new certificate shall be issued by the bank to the purchaser thereof.

SEC. 134. If it shall appear to the superintendent of banks that any bank has violated or failed to comply with the provisions of its articles of incorporation, or any law of this state, he may, by an order under his hand and official seal, which seal must be adopted by him, addressed to such bank, direct such bank to discontinue such violation and to comply with the law; or, if it shall appear to the superintendent of banks that such bank is conducting business in an unsafe or injurious manner, he may, in like manner direct the discontinuance of any such unsafe or injurious practices. Such order shall require such bank to show cause, before the superintendent of banks, at a time and place to be fixed by him, why said order should not be observed. If upon such hearing it shall appear to the superintendent of banks that such bank is conducting business in an unsafe or injurious manner, or is violating or failing to comply with the provisions of its articles of incorporation, or any law of this state, then the superintendent of banks shall make such order final, and such bank shall immediately comply with such order made by the superintendent of banks. Such bank shall have ten days after any such order is made final in which suit may be commenced to restrain enforcement of such order, and unless such action be so commenced and enforcement of said order be enjoined within ten days, by the court in which such suit is brought, then such bank shall comply with such order.

Superintendent may order bank to discontinue violations of its articles or state law, etc.

Such order shall require banks to show cause why order shall not be made final

If such order is made final, bank has 10 days to secure injunction

SEC. 135. Whenever the superintendent of banks shall deem it expedient he may call a meeting of the stockholders of any bank organized under the laws of this state, by a personal notice of such meeting for fifteen days previous thereto. All necessary expense incurred in the serving of such notice shall be borne by the bank whose stockholders are required to convene.

Superintendent may call meeting of stockholders of banks

SEC. 135a. If the capital of any bank shall be impaired, or if any bank shall refuse to submit its books, papers and con-

**Involuntary
dissolution**

Action by Supt. to
dissolve bank with
impaired capital, or
refusing to submit
to examination, or
violating law of
state, or suspending
payment, or con-
ducting business
in unsafe manner,
etc.

cerns to the inspection of any examiner, or if any officer there-
of shall refuse to be examined upon oath touching the concerns
of such bank, or if such bank shall violate the provisions of
its articles of incorporation, or any law of this state, or if
such bank shall suspend payment of its obligations, or if
such bank shall conduct its business in an unsafe or un-
authorized manner, or if from any examination or report pro-
vided for by this act the superintendent of banks shall con-
clude that such bank is in an unsound or unsafe condition
to transact the business for which it is organized, or that
it is unsafe and inexpedient for it to continue business, an
action to procure a judgment dissolving such corporation
may be maintained by the superintendent of banks.

Superintendent may
take possession of
business and prop-
erty of such bank
until it resumes
business or its affairs
be finally liquidated

SEC. 136. Whenever it shall appear to the superintendent
of banks that any bank has violated the provisions of its arti-
cles of incorporation or any law of this state, or is conducting
its business in an unsafe or unauthorized manner, or if the cap-
ital of any bank is impaired, or if any bank shall refuse to sub-
mit its books, papers and concerns to the inspection of any ex-
aminer, or if any officer thereof shall refuse to be examined
upon oath touching the concerns of any such bank or if any
bank shall suspend payment of its obligations, or if from any
examination or report provided for by this act the superin-
tendent of banks shall have reason to conclude that such bank
is in an unsound or unsafe condition to transact the business
for which it is organized, or that it is unsafe and inexpedient
for it to continue business, or if any bank shall neglect or
refuse to observe any order of the superintendent of banks
specified in sections one hundred thirty-three or one hundred
thirty-four of this act, the superintendent of banks may
forthwith take possession of the property and business of
such bank and retain such possession until such bank shall
resume business, or its affairs be finally liquidated as herein
provided. On taking possession of the property and busi-
ness of any such bank the superintendent of banks shall
forthwith give notice of such fact to any and all banks, trust
companies, associations and individuals, holding or in pos-
session of any assets of such bank. No bank, trust company,

Procedure to be
followed by Supt.
in conserving assets
and liquidating
such bank

association or individual knowing of such taking possession by the superintendent of banks, or notified as aforesaid, shall have a lien or charge for any payment, advance or clearance thereafter made, or liability thereafter incurred against any of the assets of the bank of whose property and business the superintendent of banks shall have taken possession as aforesaid. Such bank may, with the consent of the superintendent of banks, resume business upon such conditions as may be approved by him. Upon taking possession of the property and business of any such bank the superintendent of banks shall have authority to collect moneys due to such bank and do such other acts as are necessary to conserve its assets and business, and shall proceed to liquidate the affairs thereof as hereinafter provided. The superintendent of banks shall collect all debts due and claims belonging to it, and upon the order of the superior court may sell or compound any bad or doubtful debts. If a purchaser for any bad or doubtful debts cannot be obtained and it appears improbable that recovery thereon can be had and that the costs of actions to enforce collection of the same would probably be lost, the court may direct that suits thereon need not be brought. On like order he may sell any real or personal property of such bank on such terms as the court shall direct; and may, if necessary to pay the debts of such bank, enforce the constitutional individual liability of stockholders by action to be brought within three years after the date of his taking possession of the affairs of such bank. The superintendent of banks shall determine the necessity of such action and the amount necessary to recover from the stockholders to fully pay all liabilities of such bank. Such action may be in equity and against all stockholders upon whom service of process in the State of California can be had, and the court may therein determine and provide for any equities as between the stockholders including the proportions of each stockholder to any surplus of money or assets that may remain after the payment of all liabilities and the expenses of liquidation. The superintendent of banks may also maintain an action against any stockholder residing out of the state or upon whom service of process cannot be had within the state, in

Involuntary dissolution—continued

Bank may resume business with consent of Supt.

On order of court, Supt. may sell bad or doubtful debts, or sue or refrain from suing thereon; may sell real or personal property of such bank; and enforce stockholders' liability, etc.

Involuntary dissolution—continued

Supt. shall file
with county recorder
notice of pendency
of such action

Creditor may in
individual capacity
maintain action
against stockholders
or any of them

Superintendent may
in name of delin-
quent bank or in his
own name prosecute
and defend suits,
etc., execute all in-
struments necessary
to effectuate sale of
real or personal
property or com-
promise by order
of court, etc.

Superintendent may
appoint deputy
to assist
in liquidation

any court of the United States or of any state or country. Any judgment so obtained by the superintendent of banks against such or any of such stockholders which is of doubtful value may be compromised and compounded by the superintendent of banks on such terms and conditions as the superior court may direct or authorize. The superintendent of banks shall file a notice of pendency of action in the county recorder's office of the county where such action is brought. At any time prior to the trial of any such action, any creditor may serve upon the superintendent of banks and file with the court wherein such action is pending, notice that he elects to maintain an action against the stockholders or any of them, in his individual capacity and thereupon the amount sued for in such action shall be reduced accordingly and such creditor shall not be entitled to share in the proceeds resulting from such action brought by the superintendent of banks. For the purpose of executing and performing any of the powers and duties hereby conferred upon him, the superintendent of banks may, in the name of the delinquent bank or in his own name, prosecute and defend any and all suits and other legal proceedings and may, in the name of the delinquent bank or in his own name as trustee execute, acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary and proper to effectuate any sale of real or personal property or sale or compromise or compound authorized by order of the court as herein provided; and any deed or other instrument, executed pursuant to the authority hereby given, shall be valid and effectual for all purposes, as though the same had been executed by the officers of the delinquent bank by authority of its board of directors. In case any of the real property so sold is located in a county other than the county in which the application to the court for leave to sell the same is made, the superintendent of banks shall cause a certified copy of the order authorizing or ratifying such sale to be filed in the office of the recorder of the county in which the said real property is located. The superintendent of banks may, under his hand and official seal, appoint one or more special deputy superintendents of banks, as agent

or agents, with the powers specified in the certificate of appointment hereinafter mentioned, to assist him in the duty of liquidation and distribution, the certificate of appointment to be filed in the office of the superintendent of banks, and a certified copy in the office of the clerk of the county in which the principal office of such bank is located.

The superintendent of banks may from time to time, by a certificate of appointment under his hand and official seal, specifying the powers conferred, authorize a special deputy superintendent to perform such duties connected with such liquidation and distribution as the superintendent of banks may deem proper. Such certificate of appointment shall be filed in the office of the superintendent of banks and a certified copy in the office of the clerk of the county in which the principal office of such bank is located. The superintendent of banks may employ such counsel and procure such expert assistance and advice as may be necessary in the liquidation and distribution of the assets of such bank, and for that purpose may retain such of the officers or employees of such bank as he may deem necessary. The superintendent of banks shall require from a special deputy superintendent and from such assistants such security for the faithful discharge of their duties as he may deem proper. The superintendent of banks shall cause notice to be given by advertisement, in such newspapers as he may direct, weekly for three consecutive months, calling on all persons who may have claims against such bank to present the same to the superintendent of banks, and make legal proof thereof at a place and within a time, not earlier than the last day of publication, to be therein specified. The superintendent of banks shall mail a similar notice to all persons whose names appear as creditors upon the books of the bank. If the superintendent of banks doubts the justice and validity of any claim, he may reject the same, and serve notice of such rejection upon the claimant, either by mail or personally. An affidavit of the service of such notice, which shall be *prima facie* evidence thereof shall be filed with the superintendent of banks. Any action upon a claim so rejected must be brought within six months after such service. Claims pre-

Involuntary dissolution—continued

Superintendent may delegate duties to deputy

Superintendent may employ such counsel and expert assistance as may be necessary in liquidation

Superintendent to publish and mail notice to creditors to present and prove claims against bank

Action upon rejected claim—when must be brought by claimant

Involuntary dissolution—continued

Superintendent to
make and file in-
ventory of assets

Superintendent to
file with county
clerk list of claims
presented, specifying
claims rejected

Supplemental lists
of claims

Compensation of
special deputies and
other employees and
all expenses of su-
pervision—how to
be fixed and paid
and reported

Moneys collected—
how deposited

sented after the expiration of the time fixed in the notice to creditors shall be entitled to share in the distribution only to the extent of the assets in the hands of the superintendent of banks equitably applicable thereto. Upon taking possession of the property and assets of any bank, the superintendent of banks shall make an inventory of the assets of such bank in duplicate, one to be filed in the office of the superintendent of banks, and one with the papers in said proceeding in the office of the clerk of the county in which the principal office of such bank is located; upon the expiration of the time fixed for the presentation of claims the superintendent of banks shall make in duplicate a full and complete list of the claims presented, including and specifying such claims as have been rejected by him, one to be filed in the office of the superintendent of banks, and one with the papers in said proceeding in the office of the clerk of the county in which the principal office of such bank is located. Thereafter he shall make and file in said offices as above provided at least fifteen days before each application to the court for leave to declare a dividend a supplemental list of the claims presented since the last preceding list was filed, including and specifying such claims as have been rejected by him, and in any event he shall make and file as above provided such a list at least once every six months after the filing of the original list, as long as he shall remain in possession of the property and business of any such bank. Such inventory and list of claims shall be open at all reasonable times to inspection. The compensation of the special deputy superintendents, counsel and other employees and assistants, and all expenses of supervision and liquidation, shall be fixed by the superintendent of banks and shall upon the certificate of the superintendent of banks be paid out of the funds of such bank in the hands of the superintendent of banks. All such expenses must be reported by the superintendent of banks to the superior court of the county where the principal place of business of such bank is located and settled by such court upon notice to such bank. The moneys collected by the superintendent of banks shall be from time to time deposited in one or more state banks of deposit, savings banks or trust companies, and, in case of the suspension or

insolvency of the depository, such deposits shall be preferred before all other deposits. At any time after the expiration of the date fixed for the presentation of claims the superior court may by order authorize the superintendent of banks to declare out of the funds remaining in his hands after the payment of expenses one or more dividends, and after the expiration of one year from the first publication of notice to creditors he may declare a final dividend, such dividends to be paid to such persons, and in such amounts, and upon such notice, as may be directed by the superior court of the county in which the principal office of such bank is located. Objections to any claim not rejected by the superintendent of banks may be made by any party interested by filing a copy of such objections with the superintendent of banks, who shall present the same to the superior court at the time of the next application to declare a dividend. The court to which such application is made shall thereupon dispose of said objections or may order a reference for that purpose, and should the objections to any claim be sustained by the court or by the referee, such claim shall not be allowed by the superintendent of banks until the claimant shall have established his claim by the judgment of a court of competent jurisdiction. The court must make proper provision for unproved or unclaimed deposits.

Should any bank at the time the superintendent of banks takes possession of its property and business, have in its possession, as bailee for safekeeping and storage, any jewelry, plate, money, specie, bullion, stocks, bonds, securities, valuable papers or other valuable personal property or should it have rented any vaults, safes or safe deposit boxes or any portion thereof for the storage of property of any kind, the superintendent of banks may at any time thereafter cause to be mailed to the person claiming to be or appearing upon its books to be the owner of such property, or the person in whose name the safe, vault or box stands, a notice in writing in a securely closed, postpaid registered letter, directed to such person at his post office address as recorded upon its books, notifying such person to remove, within a period fixed by said notice and not less than sixty days from the date thereof,

Involuntary dissolution—continued
Such deposits given preference

Declaration of partial and final dividends—how made

Objections by interested party to claims not rejected by Supt. to be heard and disposed of by court or referee

Court to make proper provision for unproved or unclaimed deposits

Bailors of property in delinquent bank to be notified by Superintendent to remove property

Involuntary dissolution—continued

all such personal property and upon the date fixed by said notice, the contract, if any, between such person and bank for the storage of said property or for the use of the said safe, vault or box shall cease and determine, and the amount of the unearned rent or charges, if any, paid by such person shall become a debt of the bank to said person. If the property be not removed within the time fixed by the notice, the superintendent of banks may make such disposition of said property as the superior court, upon application thereto, shall direct. And the superintendent of banks may cause any safe, vault or box to be opened in his presence or in the presence of one of the special deputy superintendents of banks, and of a notary public not an officer or in the employ of the bank or of the superintendent of banks, and the contents thereof, if any, to be sealed up by such notary public in a package upon which such notary public shall distinctly mark the name and address of the person in whose name such safe, vault or box stands upon the books of the bank and shall attach thereto a list and description of the property therein; and the package so sealed and addressed, together with the list and description, may be kept by the superintendent of banks in one of the general safes or boxes of the bank until delivered to the person whose name it bears, or until otherwise disposed of as directed by the court. Whenever any such bank of whose property and business the superintendent of banks has taken possession as aforesaid, deems itself aggrieved thereby, it may, at any time within ten days after such taking possession, apply to the superior court in the county in which the principal office of such bank is located to enjoin further proceedings; and said court, after citing the superintendent of banks to show cause why further proceedings should not be enjoined, and hearing the allegations and proofs of the parties and determining the facts may, upon the merits, dismiss such application or enjoin the superintendent of banks from further proceedings, and direct him to surrender such business and property to such bank. An appeal as above provided shall operate as a stay of the judgment of the superior court, and no bond need be given if the appeal be taken by the superintendent of banks; but if the appeal be taken by

If such property not removed within time fixed by notice, Supt. to dispose of same as court may direct

Superintendent may cause any safe, vault or box to be opened and its contents disposed of as specified

Bank deeming itself aggrieved may enjoin proceedings within ten days after Supt. takes possession

Hearing to be had and judgment to be entered therein

Provisions concerning appeal from judgment

such bank, a bond shall be given, as required by section nine hundred forty-three of the Code of Civil Procedure. Whenever the superintendent of banks shall have paid to each and every depositor and creditor of such bank whose claim or claims as such creditor or depositor shall have been duly proved and allowed, the full amount of such claims, and shall have made proper provision for unclaimed and unpaid deposits or dividends, and shall have paid all the expenses of the liquidation, the superintendent of banks shall call a meeting of the stockholders of such bank giving notice thereof for thirty days in one or more newspapers published in the county where the principal office of such bank is located. At such meeting the stockholders shall determine whether the superintendent of banks shall be continued as liquidator and shall wind up the affairs of such bank, or whether an agent or agents shall be elected for that purpose, and in so determining the said stockholders shall vote by ballot, in person or by proxy, each share of stock entitling the holder to one vote, and the majority of the stock shall be necessary to a determination.

In case it is determined to continue the liquidation under the superintendent of banks, he shall complete the liquidation of the affairs of such bank, and after paying the expenses thereof, shall distribute the proceeds among the stockholders in proportion to the several holdings of stock in such manner and upon such notice as may be directed by the superior court. In case it is determined to appoint an agent or agents to liquidate, the stockholders shall thereupon select such agent or agents by ballot, a majority of the stock present and voting, in person or by proxy, being necessary to a choice. Such agent or agents shall execute and file with the superintendent of banks a bond to the people of the state in such amount, with such sureties and in such form as shall be approved by the superintendent of banks, conditioned for the faithful performance of all the duties of his or their trust, and thereupon the superintendent of banks shall transfer and deliver to such agent or agents all the undivided and uncollected or other assets of such bank then remaining in his hands; and upon such transfer and delivery, the said superintendent of banks

Involuntary dissolution—continued

After payment of allowed claims, etc., Supt. to call meeting of stockholders to determine whether Supt. shall continue liquidation or agent be elected for that purpose

Manner of voting at such meeting

Completion of liquidation:

(1) If by Supt.

(2) If by agent

Agent shall execute bond

Superintendent shall transfer remaining assets to agent

**Dissolution—
continued**

Agent to convert
such assets into cash
and account for and
distribute property

Disposition of divi-
dends and unclaimed
deposits remaining
unpaid six months
after order of final
distribution

Bank ceasing busi-
ness shall imme-
diately liquidate

If liquidation un-
safely conducted,
Supt. may take
possession and
liquidate

shall be discharged from any and all further liability to such bank and its creditors. Such agent or agents shall convert the assets coming into his or their possession into cash, and shall account for and make distribution of the property of said bank as is herein provided in the case of distribution by the superintendent of banks, except that the expenses thereof shall be subject to the direction and control of a court of record of competent jurisdiction. In case of the death, removal or refusal to act of any such agent or agents, the stockholders, on the same notice, to be given by the superintendent of banks upon proof of such death, removal or refusal to act being filed with him, and by the same vote hereinbefore provided, may elect a successor, who shall have the same powers and be subject to the same liabilities and duties as the agent originally elected. Dividends and unclaimed deposits remaining unpaid in the hands of the superintendent of banks for six months after the order for final distribution shall be by him deposited with the state treasurer in the same manner and subject to the same disposition as provided for in section one thousand two hundred thirty-four of the Code of Civil Procedure. The superintendent of banks may pay over the moneys so held by him to the persons respectively entitled thereto upon being furnished satisfactory evidence of their right to the same. In cases of doubt or conflicting claims he may require an order of the superior court authorizing and directing the payment thereof.

SEC. 136a. Any bank which has ceased to do a banking business whether through voluntary action on its part or through expiration of its corporate existence, shall immediately liquidate its affairs and any unclaimed deposits or dividends shall be paid into the state treasury in the manner and for the purposes provided in section one hundred thirty-six of this act within six months after the date such bank ceased to conduct a banking business, and in case the superintendent of banks shall have reason to conclude that the liquidation of such bank is not being safely or expeditiously conducted, he may take possession of the property of such bank and liquidate its affairs in the same manner as provided in section one hun-

dred thirty-six of this act. Whenever any bank of whose property the superintendent of banks has taken possession as aforesaid, deems itself aggrieved thereby, it may within the time and in like manner and effect as provided in section one hundred thirty-six of this act apply to the superior court to enjoin further proceedings.

**Dissolution—
continued**

Bank deeming itself aggrieved by intervention of Supt., may apply for injunction

SEC. 136b. In any action or proceeding brought under any provision of this act, exclusive original jurisdiction shall be vested in the superior court of the county in which is located the principal place of business of the bank affected thereby, and all proceedings relating to the same matter, under any provision of this act, including proceedings for liquidation of the affairs of any such bank, shall be filed with and treated as a part of the record in such original proceedings, and all papers relating to any such action or proceeding, including the copy of certificate of appointment of any special deputy and the inventories required to be filed in the matter of any such liquidation, shall be filed with and made a part of the record of such original proceeding, without the payment of any additional fees therefor, and in any such action no damage may be awarded, but the action otherwise shall be tried and determined according to the provisions of the Code of Civil Procedure.

Jurisdiction vested in superior court of county where principal place of business of bank is located

SEC. 137. 1. Any bank shall have the right, on application of the stockholders or members to apply to the superior court of the county wherein its principal place of business is situated, to dissolve said bank in the manner provided for in title six, part three of the Code of Civil Procedure.

Voluntary dissolution may be had under provisions of Code of Civil Procedure

2. At the expiration of four months after the settlement of the final account of the receiver of any bank appointed prior to July 1, 1909, any dividends due depositors, or other creditors, or stockholders of such bank and remaining unpaid or uncalled for and in the hands of such receiver may be paid by him into the treasury of the county in which such bank is situated which money shall be held in the treasury of said county, and at the same time it shall be the duty of such receiver to furnish to the county treasurer of said county a list of names of all depositors or other persons to whom such money belongs

Payment to county treasurer of specified funds by receiver appointed prior to July 1, 1909

or who are entitled thereto and thereupon such receiver shall be entitled to his discharge.

Said funds to be paid out on court order 3. The moneys referred to in subdivision two of this section shall be paid out on the order of the court appointing such receiver.

When such funds escheat to state 4. All moneys paid under subdivision two of this section, uncalled for within five years after being paid in, shall by operation of law, and without action had, escheat to the state. All moneys held by any county treasurer under subdivision two of this section, when such moneys have escheated to the state as hereinbefore provided, shall be paid by the county treasurer into the state treasury, and thereafter only be drawn out in such manner as may be provided for by law for the estates of deceased persons escheated to this state.

Investment of such funds 5. The state board of control must invest such moneys in the same manner that the state school land fund is invested as provided by law. But any claimant shall be entitled to recover as herein provided only the principal so paid into the state treasury.

Failure to make report as required by Sec. 130 or Sec. 130a SEC. 138. If any bank shall fail to make any report required by the provisions of section one hundred thirty or one hundred thirty-a of this act, within ten days from the day designated for the making thereof by the superintendent of banks, or to include therein any matter required by the provisions of either of said sections, it shall forfeit to the people of the state the sum of one hundred dollars for each day that any such report shall be so delayed or withheld by the failure or neglect of such bank.

Penalty

In event of such failure, Supt. may make examination at bank's expense In the event of the failure of any such bank to make any such report required from it, the superintendent of banks may, in his discretion, immediately cause the books, papers and affairs of such bank to be examined at the expense of such bank.

Directors shall examine bank SEC. 139. It shall be the duty of the board of directors of every bank to examine fully into the books, papers and affairs of the bank of which they are directors, and particularly into the loans and discounts thereof, with a special view to ascertaining the value and security thereof, and of the collateral

security, if any given, in connection therewith, and into such other matters as the superintendent of banks may require; such examination to be made at least once a year, but no such subsequent yearly examinations shall be made within three months of the next preceding examination. Such directors shall have power to employ such assistance in making such examinations as they may deem necessary. Within ten days after the completion of such examination, a report in writing thereof, sworn to by the directors making the same, shall be made by the board of directors of such bank, and placed on file with the records of said bank, and shall be subject to examination by the superintendent of banks.

Examinations and reports

Directors may employ assistance in making examination

Sworn report of directors to be made and filed with records of bank

Such report shall particularly contain a statement of the assets and liabilities of the bank examined, as shown by its books, together with any deductions from the assets, or additions to liabilities, which such directors or committee, after such examination, may determine to make. It shall also contain a statement, in detail, of loans, if any, which in their opinion are worthless or doubtful, together with their reasons for so regarding them; also a statement of loans made on collateral security, which in their opinion are insufficiently secured, giving in each case the amount of the loan, the name and market value of the collateral, if it has any market value, and, if not, a statement of that fact, and its actual value as nearly as possible. Such report shall also contain a statement of overdrafts, of the names and amounts of such as they consider worthless or doubtful, and a full statement of such other matters as affect the solvency and soundness of the bank.

What such report shall contain

If the directors of such bank shall fail to make such examination or fail to cause it to be made, or shall fail to file such report of such examination in the manner and within the time specified, the superintendent of banks shall have authority to make or cause to be made an extra examination of such bank, at the expense of such bank.

If directors fail to make such examination or report, Supt. may make extra examination at bank's expense

SEC. 140. The superintendent of banks shall report during the month of October of each year, to the governor, for submission to the next ensuing session of the legislature:

Superintendent shall make annual report to Governor

Report by Superintendent	1. A summary of the state and condition of every bank required to report to him, and from which reports have been received the preceding year, with an abstract of the whole amount of capital returned by them, the whole amount of their debts and liabilities, and the total amount of means and resources, specifying the amount of specie held by them at the time of the last report to him, and such other information in relation to such banks as, in his judgment, may be useful.
Annual report shall contain:	
Summary of general conditions	
Statement of new banks	2. A statement of all banks authorized by him to do business during the previous year, with their names and locations and dates of incorporation, and particularly designating such as have commenced business during the year.
Statement of closed banks	3. A statement of the banks whose business has been closed during the year.
Desirable amendments to Bank Act	4. Any amendments to the banking law, which, in his judgment, may be desirable.
Names and compensation of employees	5. The names and compensation of all persons employed by him, and the whole amount of the receipts and expenses of the department during the year.
Data concerning banks in liquidation	6. The names of banks placed in his hands in process of liquidation, and the amount of dividends paid thereon.
Number of copies of report printed	Such report, and the usual number of copies for the use of the legislature, shall be printed and in readiness for distribution by the state printer, and one thousand copies shall be printed for the use of the department, the expense of which shall be charged among the general expenses of the department.
Weekly bulletin to be publicly posted in Superintendent's office	SEC. 141. 1. The superintendent of banks shall keep in his office, in a place accessible to the general public, a bulletin board upon which he shall cause to be posted at noon on Friday of each week a detailed statement, signed by him or, in case of his absence from San Francisco or inability to act, by the deputy superintendent in charge, giving the following items of general information with regard to the work of the department since the preceding statement:
Contents of bulletin	(a) The name of every bank that has filed in the banking department an application for authorization to commence business, its location and the date of filing of such application.
Applications filed, etc.	

(b) The name and location of every bank authorized by the superintendent of banks to commence business, its capital, surplus, and the date of authorization. **Superintendent's weekly bulletin—continued**

(c) The name of every bank to which a certificate of authorization has been refused by the superintendent of banks, and the date of notice of refusal. **New banks authorized**
Certificates refused

(d) The name and residence of every person appointed by the superintendent of banks as a deputy, examiner or employee in the banking department, the title of the office to which appointed, the compensation paid, and the date of appointment. **New employees, etc.**

(e) The date on which a call for a report by banks was issued by the superintendent of banks, and the day designated as the day with reference to which such report should be made. **Dates concerning called reports.**

(f) The name and location of every bank whose creditors or depositors have been paid in full by the superintendent of banks and a meeting of whose stockholders shall have been called, together with date of notice of meeting and date of meeting. **Concerning banks whose creditors are paid and stockholders will meet**

(g) The name and location of every bank subject to the banking law whose affairs and business shall have been finally liquidated, or in course of liquidation. **Banks liquidated or liquidating**

(h) The name and location of every bank which has applied for approval of a change of name, and the name proposed. **Proposed changes in name**

2. Every such bulletin, after having been posted as aforesaid for one week, shall be placed on a file for such statements, to be kept in the office of the superintendent of banks. All such statements shall be public documents, and at all reasonable times shall be open to public inspection during usual banking hours. **Bulletins after being posted to be kept on file**

SEC. 142. Every official report made by the superintendent and every report duly verified of an examination made, shall be *prima facie* evidence of the facts therein stated, for all purposes in any action or proceedings wherein such bank is a party. **Reports to be prima facie evidence in court**

(SEC. 143. Repealed 1913.)

Penalties and forfeitures imposed by act—how recovered

SEC. 144. Whenever by the terms of this act a penalty or forfeiture is imposed, the same shall be recovered in an action brought at the request of the superintendent of banks by the attorney general, in the name of the people of the state, and the sum recovered shall be paid into the state banking fund and used in payment of claims against the said fund.

Powers, duties, etc., of corporation doing business under laws of this state, abridged, enlarged, etc., to conform to act

SEC. 145. The powers, privileges, duties and restrictions conferred and imposed upon any corporation or individual existing and doing business under the laws of this state are hereby abridged, enlarged or modified as each particular case may require to conform to the provisions of this act, notwithstanding anything to the contrary in their respective articles of incorporation or charters. All the provisions of this act shall apply with equal force and effect to all corporations which are now doing or which may hereafter do a banking business in this state, except where express exception or exemption may be made herein. The legality of investments heretofore made, or title to property heretofore acquired or conveyed through transactions heretofore had by any bank pursuant to any provision of law in force when such investments were made or transactions had, shall not be affected by the provisions of this act, except that any such investments made prior to July 1, 1909, when not complying with the provisions hereof, shall be changed to conform hereto; but such change shall be made gradually and in such manner as to prevent loss or embarrassment in the business of such bank, or unnecessary loss or injury to the borrowers on such security; *provided, further*, that in any event, all investments and securities and excess in investments made prior to July 1, 1909, which are not in conformity with the provisions and spirit of this act and which have been acquired and are now held by any bank, must be written off as assets of such bank prior to July 1, 1918; and no bank holding any such investments or securities acquired prior to July 1, 1909, shall, after July 1, 1918, be permitted to pay any dividends to its stockholders until it shall have written off all such non-conforming investments or securities; *and provided, further*, that the legality of any investments heretofore lawfully made, pursuant to the

Act applies equally to all corporations now or hereafter doing banking business in this state unless excepted herein

Legality of prior bank investments or title not affected by act; but non-complying investments made prior to July 1, 1909, to be gradually changed and written off to conform to act, etc.

provisions of this act as it existed on and subsequent to July 1, 1909, shall not be affected by the provisions of this section.

Legality of investments lawfully made since July 1, 1909, not affected by this section

SEC. 146. All acts, or parts of acts, in conflict with this act are hereby repealed.

SEC. 147. This act shall take effect July first, 1909.

Statutes of 1909:

Chapter 76....Approved Mar. 1....In Effect July 1.

Amended by Statutes of 1911:

Chapter 11....Approved Feb. 6....In Effect Feb. 6.

Chapter 488....Approved Apr. 21....In Effect June 20.

Chapter 494....Approved Apr. 21....In Effect June 20.

Chapter 495....Approved Apr. 21....In Effect June 20.

Amended by Statutes of 1911 (Special Session):

Chapter 2....Approved Dec. 18....In Effect Feb. 16.

Chapter 24....Approved Dec. 24....In Effect Feb. 22.

Amended by Statutes of 1913:

Chapter 104....Approved May 9....In Effect Aug. 10.

Chapter 192....Approved June 3....In Effect Aug. 10.

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